Austria	Sch30	Indonesia	Rp3100	Pakistan	Rs35
Bahrain	Din0.900	Iran	Rls210	Philippines	Pso40
Belgium	BFr60	Israel	Shk4.50	Poland	Zl 15,000
Cyprus	C£1.00	Italy	L2200	Portugal	Esc175
Czech	Kcs35	Jordan	JD1.20	Qatar	QR10.00
Denmark	DKr13	Korea	Won 2000	S.Arabia	SR8.00
Egypt	E£3.50	Kuwait	Fils.500	Singapore	S$4.10
Finland	FM10	Lebanon	L£1,000	Spain	Pta175
France	FFr8.00	Lux	LFr60	Sweden	SKr15
Germany	DM3.00	Morocco	MDh10	Switz	SFr2.70
Greece	Dr200	Neth	Fl 3.50	Thailand	Bht50
Hungary	Ft182	Nigeria	Naira15	Tunisia	Din0.900
Iceland	IKr180	Norway	NKr13.00	Turkey	L5000
India	Rs20	Oman	OR1.30	UAE	Dh8.00

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JAPAN

A grudging welcome for foreigners

Page 4

World News

Railway bomb causes chaos for London commuters

A bomb planted by the IRA exploded on the railway line at Clapham, London, paralysing the capital's rail network and causing chaos for up to one million commuters. It came after a man claiming to be from the Irish Republican Army telephoned a bomb threat to a television station.

London's eight main rail stations were closed and hundreds of thousands of travellers arrived hours late for work or not at all. Page 6

No Indian settlement

Chinese premier Li Peng ended a six-day visit to India without progress towards settling the border dispute which brought the two countries into conflict in 1962. Page 4

Woman to run MI5

Britain appointed the first woman to run its MI5 counter-espionage service. Stella Rimington, 56, is currently deputy to MI5 director general Sir Patrick Walker, who leaves in February. Observer, Page 16

Resolution repealed

The United Nations repealed the General Assembly's 1975 resolution equating Zionism with racism. The resolution had led to widespread charges of UN anti-semitism.

Briton jailed in France

David Morris, 56, a British estate agent, was jailed for a year and given a further three-year suspended sentence by a court in Grasse, southern France, for the manslaughter of a French youth during a hit-and-run boating accident off Antibes in 1988.

Slowing down

European Community transport ministers agreed that all lorries and buses in the EC should be fitted with speed limiters from the mid-1990s. Lorries will be held to 85kph and buses to 100kph. Page 2

Children's milk scandal

Argentina's president Carlos Menem faces his fourth corruption scandal of the year, following a newspaper allegation that two presidential aides sold sub-standard powdered milk at inflated prices to a government child nutrition programme. Page 3

Greeks to down tools

A million Greek workers are expected to strike for 24 hours today in protest at austerity measures in the 1992 budget which is being debated in parliament this week.

N-fuel lorry on fire

A lorry carrying five tonnes of nuclear fuel was in collision with a car and blazed for three hours at Springfield, Massachusetts. There was no immediate sign of a radioactive leak.

Women in front line

The British air force is to allow women pilots to fly combat jets from next year.

Crime up 19 per cent

Crime in England and Wales rose 19 per cent to 5.1m recorded offences in the year to September. Most crimes – 94 per cent – were against property, with violent crime, up by 6 per cent over the previous year, accounting for 5 per cent.

UK tops low-pay league

Britain has the highest proportion of low-paid workers in the European Community, and Belgium the lowest, according to a study conducted for the Brussels Commission by the French research organisation Centre des Etudes des Revenus et des Coûts. Page 2

Aids to escalate

Aids will kill more than six million Africans in the next decade and four million children will be born with the HIV virus, a World Health Organisation conference in Dakar was told.

Business Summary

'Double-dip' recession fears in UK manufacturing

Britain's manufacturing industry, which the government hopes will help pull the economy into recovery, faces the prospect of a "double-dip" recession, official figures suggested.

A sharp underlying fall in factory production since the summer suggests the manufacturing sector has started to run out of steam and that the outlook is even more bleak as ex-port markets such as the US weaken. Page 18

MR CONRAD BLACK, Canadian publisher of the UK Daily Telegraph, extended his media empire to Australia through the A$1.4bn ($1.08bn) acquisition of John Fairfax, publisher of The Sydney Morning Herald, The (Melbourne) Age and the Australian Financial Review. Page 19

TOYOTA MOTOR, Japan's largest carmaker, forecast a 33 per cent fall in pre-tax profits for the six months to the end of December, due mainly to a sharp fall in sales of high-margin luxury cars. Page 19

WESTINGHOUSE CREDIT: Negotiations for the sale of parts of the troubled financial services business to its rival, GE Capital, have ended without agreement, creating fresh uncertainty over the future of the Westinghouse business. Page 19

MR ASIL NADIR, former chairman of Polly Peck International, the collapsed fruit and electronics conglomerate, pursued his own private interest at the expense of the company, the High Court in London was told yesterday. Page 19

CONTINENTAL, German tyre-maker, is to split its main business division into two separate profit centres – one servicing the car market and the other specialising in tyres for commercial vehicles. Page 20

NIKE, US sports shoe and apparel maker, posted record second-quarter results, continuing its trend of improving its performance in the face of recession and a dreary retail environment. Page 21

FARM SUBSIDIES: Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, has said he will put forward final draft agreements on all areas in the Uruguay Round trade talks on Friday. Page 5

BRITISH Aerospace has won its first order, worth more than $450m, for a new derivative of its BAe 146 jet aimed specifically at US regional airlines. The buyer is Business Express, the biggest regional airline operating in the US north-east. Page 5

BANK OF ISRAEL triggered a sharp reduction in interest rates, seizing on a fall in the rate of inflation to try to regenerate flagging growth and help stem mounting unemployment levels. Page 4

BERLIN'S Christmas retail sales, fuelled by a spending spree by east Germans, are expected to top last year's record turnover. Stores are reporting a 15 per cent rise in turnover for December against last year. Page 2

PRUDENTIAL, UK's largest life insurance company, has resigned from the Unit Trust Association in a public row which has pitted one sector of the financial services industry against the other. Page 6

SANDOZ, Swiss chemical and pharmaceutical group, is to buy a 60 per cent stake in Systemix, a California developer of processes and cellular products based on human blood chemistry, for $392m. Page 20

JAPANESE car dealers warned they would face losses if forced by trade pressure from Washington to stock US models, which they consider unpopular with Japanese consumers. Page 5

Yeltsin seeks single strategic command for Soviet arsenal under military figure

Deal on Soviet N-arms control due 'next week'

By John Lloyd and Gillian Tett in Moscow and Chrystia Freeland in Kiev

AN AGREEMENT putting all Soviet nuclear weapons under a single command will be signed next week by the Commonwealth of Independent States, Mr Boris Yeltsin, the Russian president, yesterday told Mr James Baker, the US secretary of state.

Mr Yeltsin, who also demanded US recognition of Russia as a separate state, appeared to be proposing a single strategic nuclear command under the ultimate control of a military figure responsible to the presidents of the states making up the commonwealth.

In a hectic day of talks in Moscow with Mr Baker, the Russian president said, according to the Tass news service, that only Russia would "for the time being" remain a nuclear state. He said Ukraine and Belorussia, the two other founder members of the commonwealth, would sign the nuclear non-proliferation treaty, and carry out their stated aim of destroying nuclear weapons on their territory. These declarations come as all three states are discussing joint political control of nuclear weapons.

The fourth state with strategic nuclear arms – Kazakhstan, not one of the three original members – would enter

PAGE 16

■ Editorial Comment: Helping post-Soviet reform

PAGE 18

■ Moscow faces nuclear button dilemma

into discussions on the issue next week, Mr Yeltsin said.

He claimed that six more states would join the commonwealth by Saturday, and that it would be 10-strong by the end of the year or early 1992 – with only Azerbaijan, Georgia, and the now-independent Baltic states, outside it.

Mr Leonid Kravchuk, the Ukrainian president, cast doubts on the stability of the new commonwealth.

Mr Kravchuk, in an interview with the Financial Times, said Ukraine was not completely committed to raising prices on January 2 in tandem with Russia's planned price liberalisation.

If Ukraine did not receive a promised Rbs16bn from Russia it would be unable to raise prices. Even if Ukraine did receive the extra cash, Mr Kravchuk said, it might not free prices until January 15.

Meanwhile, EC governments yesterday decided to give the Soviet republics Ecu600m ($774m) extra in food grants and credits, amid rising concern that economic hardship may accentuate political instability.

The EC approved a first Ecu500m tranche of an eventual Ecu1.25bn Community food credit to the Soviet Union, and Ecu100m out of a promised Ecu200 food grant.

In Moscow, Mr Baker said after his day of talks that he was "reassured" about the military situation in the Soviet Union. "I have seen nothing which would cause any more concern", taking into consideration the political changes in the country, he said.

Mr Baker took a non-committal attitude to Mr Yeltsin's demand for recognition, saying only that "we will obviously be looking at the suggestion". US officials have said nuclear control and human rights issues must be discussed before recognition is given – but concede that it cannot be withheld indefinitely.

Mr Baker went out of his way to praise Mr Gorbachev before his meeting with him, saying: "The world is fundamentally different, Mr President, from what it was two or three years ago. The fundamental changes are due in no small part to your efforts."

Time out: Baker cuts short a press conference to prepare for his next round of talks

EC seeks compromise over Yugoslav states

By Judy Dempsey in Zagreb, Laura Silber in Belgrade and Agencies

GERMANY came under intense pressure from its European Community partners yesterday to delay recognition of the breakaway Yugoslav republics of Slovenia and Croatia.

European Community foreign ministers sought a compromise formula to head off a move that many fear would spread the undeclared civil war into Bosnia and other parts of Yugoslavia.

Mr Hans-Dietrich Genscher, the German foreign minister, argued strongly in favour of early recognition but stressed the need for co-ordinated action by all of the EC states and his belief that a German decision to recognise the two republics would be followed by others.

"Others will join. Bonn will not be going it alone if it goes ahead with early recognition. There will not be a move by Germany on its own," he told reporters. He did not name the states to which he was referring.

Mr Uffe Ellemann-Jensen, the Danish foreign minister said he hoped a compromise between Bonn and its EC partners could be struck on the basis of a Franco-German proposal to draw up a list of criteria which any new state would have to meet before it could gain EC recognition.

The criteria discussed by foreign ministers included whether a prospective new state had done enough to protect minorities on its territory, whether it was democratic and whether borders were being changed by force.

These criteria could also form the basis of the EC's approach to recognising Russia, Ukraine and other former Soviet republics.

Meanwhile United Nations observers are expected to arrive in Yugoslavia tomorrow to prepare for possible full-scale UN intervention to keep the peace between Croats and Serbs.

Fresh fighting flared in many parts of Croatia on Monday, diminishing already slender hopes that a significant force of UN peacekeeping troops may be assembled and dispatched to Yugoslavia soon.

A UN spokeswoman said the observers – 11 military experts, two civilian police and seven civilians – would be in Yugoslavia for about a week. They would tour Krajina and eastern and western Slavonia, scenes of heavy fighting in the past five months.

The UN Security Council voted unanimously on Sunday to send the observers.

However, it will dispatch a full peacekeeping force in order to monitor a ceasefire only and not to impose one.

After the breakdown of 14 negotiated ceasefires, there is no sign of a new truce. An unconfirmed report on Croatian radio said federal aircraft bombed a village near Daruvar, east of Zagreb, yesterday, killing several people.

It said the army attacked the nearby town of Nova Gradiska and one civilian was killed by shellfire. The eastern city of Osijek also came under fire.

The official Tanjug news agency, reporting the Serbian dominated army's side, also spoke of fighting around Nova Gradiska but said it had been started by the Croats.

EC monitors, who continue to negotiate with the Croatian authorities on the withdrawal of all federal army units from the barracks, said they had found a mass grave in the village of Vocin, in central Croatia.

Ms Renilde Steeghs, the EC acting spokeswoman, said 23 of the 24 bodies belonged to elderly people. She also said the village of Hum, close to Vocin, which was captured last week, was retaken at the weekend by Croatian forces.

Meanwhile, an editorial in Vjesnik, Croatia's main daily newspaper, said a second war front could spread to the central republic of Bosnia-Hercegovina.

Fall in US output fires hopes of interest rate cut

By George Graham in Washington

THE ANNOUNCEMENT by the US Federal Reserve Board that industrial production had fallen by 0.4 per cent in November has strengthened expectations that the Fed will cut interest rates once again in the next few days.

This fresh evidence that the US economy had weakened again was more than most economists had expected leaving output 0.5 per cent lower over the past year.

Amid low inflation, weak consumer demand and thin sales during the Christmas retail season, the production figures are seen as likely to tip the Fed towards lowering the rates quickly.

Industrial capacity utilisation also fell to 79.1 per cent, leaving factories operating at their lowest rates since May, when the economy was generally recognised to be still in recession.

Mr Allen Sinai, chief economist of the Boston Company consulting group, said: "Here is yet another key monthly indicator that says we did not come out of recession. It certainly underscores the need for and likelihood of the Federal Reserve easing very soon."

Economists at broker C.J.Lawrence said: "We expect the Fed to cut the discount rate ½ point by the end of the week, and then another ½ point by the end of January, bringing the discount rate and the T-bill rate down to 3.5 per cent."

The Fed's policy-making open market committee is due to meet today, and many economists believe it will announce a cut in the discount rate, currently 4.5 per cent, shortly after this meeting.

The Bush administration has been pressing for further cuts in interest rates to help stimulate the sputtering economy, with Mr Michael Boskin, the chief White House economist, arguing last week that the Fed had "ample room" to ease monetary policy.

A slight increase in the rate of inflation, now running at 3.0 per cent year-on-year, has provided the Fed with an argument for not easing its policy.

The Fed already has lowered its discount rate five times since last December with the last cut on November 6 to 4.5 per cent bringing it to its lowest in 18 years.

The fall in industrial output last month reflected especially a sharp drop in production of cars and automotive parts, as well as a strike at Caterpillar, which reduced output in the construction and mining equipment sector.

Consumer sector car and truck production fell 5.8 per cent last month after seasonal adjustment, the Fed said, although the level of output remained 17.6 per cent higher than a year earlier.

Utilities output rose by 1.3 per cent on a seasonally-adjusted basis, as cold weather in some regions increased demand for electricity.

World stockmarkets, Back page, Section III

CONTENTS

President with a commitment to push hard for a trade pact

The odds in favour of a North American Free Trade Agreement shortened at the weekend when President Carlos Salinas de Gortari of Mexico (pictured) and President George Bush agreed to push hard for a pact early next year. Page 5

MARKETS

STERLING
New York lunchtime:
$1.622
London:
$1.8215 (1.817)
DM2.875 (2.875)
FFr9.8225 (9.82)
SFr2.54 (same)
Y234 (same)
£ Index 91.5 (same)

GOLD
New York Comex Feb
$360.9 (361.3)
London:
$359.85 (358.9)

N SEA OIL (Argus)
Brent 15-day Jan
$18.55 (19.05)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime:
DM1.5773
FFr5.3885
SFr1.3943
Y128.4
London:
DM1.5785 (1.5825)
FFr5.3925 (5.405)
SFr1.395 (1.3985)
Y128.45 (128.8)
Tokyo close: Y128.45

US lunchtime rates
Fed Funds: 4⅝% (4 5/16%)

3-mo Treasury Bills:
4.231% (4.243%)
Long Bond:
102 15/32 (102 13/32)
yield: 7.774% (7.769%)

STOCK INDICES
FT-SE 100:
2,440.8 (−10.8)
FT-A All-Share:
1,170.11 (−0.4%)
FT-SE Eurotrack 100:
1,051.15 (+0.05)

New York lunchtime:
DJ Ind. Av.
2,927.33 (+12.97)
S&P Comp
385.58 (+1.11)
Tokyo: Nikkei
22,836.67 (+81.77)

LONDON MONEY
3-month interbank:
10 11/16% (10 23/32%)
Liffe long gilt future:
Mar 96 15/32 (96¾)

Brussels seeks ways to rescue pact with Efta

By David Buchan in Brussels and **Robert Taylor** in Stockholm

EC FOREIGN ministers yesterday asked their ambassadors and the European Commission to plot the Community's next move in the legal saga over the European Economic Area (EEA).

Following the European Court of Justice's weekend rejection of juridical aspects of the EEA accord, the EC's Dutch presidency conceded the EEA deal might have to be partly re-negotiated. But the ambitious agreement with the European Free Trade Association (Efta) to form a single market of some 380m people in 19 countries should still be signed by next February, so that it could be ratified by parliaments and come into effect on January 1 1993, Mr Hans van den Broek, the Dutch foreign minister, said yesterday.

Efta countries said yesterday they expected to hear on Thursday from the EC what solutions there might be to what was essentially an internal wrangle between EC institutions. Mr Ulf Dinkelspiel, Sweden's EC affairs minister and former chief EEA negotiator, said he was "disappointed and surprised" that this latest snag should arise. The danger, however, is that the EEA risks causing more political – and now legal – trouble than it is worth to Efta countries which seem to be deciding that they would be better off inside the EC as full members. Finland and Switzerland look likely to follow Austria and Sweden in applying to join.

The biggest trouble appears to lie in Norway where Mrs Gro Harlem Brundtland's minority Labour government was already finding it hard to secure the necessary three-quarters majority in parliament it needs to ratify the EEA agreement. Any dilution of the deal to placate the European court could make it impossible for Mrs Brundtland to win the political support she needs.

Norway's prime minister has a personal interest in the success of the EEA. It was due to her initiative in March 1989 that EC president Jacques Delors came to an Efta heads of government summit in Oslo to agree on negotiations between the two economic blocks on an EEA.

If the EEA does fall apart over the next few weeks it seems likely to provoke a national debate in Norway on whether the country should make a formal application to Brussels for EC membership even though Norwegians remain evenly divided on the issue.

The Finnish centre-right administration of Mr Esko Aho is expected to make up its mind by next February on whether or not to seek EC entry.

EC steps up aid to Soviet republics

By David Buchan in Brussels

EC governments yesterday decided to give the emerging commonwealth of Soviet republics Ecu600m ($774m) extra in food grants and credits, amid rising concern that economic hardship may accentuate political instability.

Foreign and finance ministers of the 12 EC states approved a first Ecu500m tranche of an eventual Ecu1.25bn Community food credit to the Soviet Union, and Ecu100m out of a promised Ecu200 food grant.

The extra EC aid could rise to Ecu700m, if and when the European Parliament gives its agreement this week to the second Ecu100m slice of the food grant coming out of funds already appropriated in this year's budget for EC farm price support.

At last week's Maastricht summit, EC leaders expressed concern about food shortages appearing in big cities such as Moscow and St Petersburg and promised more aid. Yesterday, ministers agreed to send a mixed task force of Commission and national experts to these two cities to supervise food deliveries.

In view of growing Soviet insolvency, it seems likely that EC credits will effectively have to be considered as straight grants. Brussels is encountering increasing problems in lending to the Soviet Union via commercial banks. An Ecu500m syndicated credit, led by Deutsche Bank and guaranteed 98 per cent by the EC, was formally signed here three weeks ago by Mr Ivan Silayev, head of the inter-republican committee, but there are still apparently problems in disbursing it, EC officials say.

Partly as a result of the months of haggling over the Deutsche Bank credit, the EC has decided to make its Ecu1.25bn food credit – the first slice of which was approved yesterday – in the form of a direct Community loan, raised on the capital markets and backed by a guarantee on the EC budget. "Certainly, there is a risk, but less than lending to the Maxwell corporation," said an EC official.

There was no reference in yesterday's ministerial debates to the recent US call for a conference on Soviet aid needs, but there was much talk about the need for guarantees that the republics would assume the debt and arms control obligations undertaken by the old Soviet central government.

A dark side of Croatia not easy to see

Judy Dempsey reports from Zagreb on alleged intimidation of Serbs and liberal Croats

MR SVETOVAR Livada knows that when his telephone rings it may well be a death threat. In the past two weeks the 63-year-old retired rural sociologist, who was sacked from Zagreb university in 1961 for criticising the communist party's agrarian policy, has been questioned twice by the Croatian police.

On December 5, he was summoned to the central police station on Dordiceva street in Zagreb under article 236/f of the constitution, which amounts to sedition against the state.

He was questioned about his activities as vice-president of the Serbian Democratic Forum (SDF), a liberal movement set up to protect the ethnic, political and cultural rights of the 560,000-strong Serb community in Croatia and to promote trust between Croats and Serbs.

Last week, the authorities, without issuing a summons, sent a car round to collect Mr Livada for more questioning.

Mr Livada's experience is no exception in what many describe as a growing atmosphere of intimidation. As a Serb, he, and many of his colleagues who criticise the authoritarian tendencies of the government, fear they may be on a hit-list.

"My close Croat academic friends have warned me to be careful. They told me that I am on a special hit-list," he said. There is a growing number of reports alleging that many Serbs have disappeared since the war started in Croatia on June 25.

Between October 17 and November 1, the SDF received reports claiming that between 26 and 120 Serbian men and women went missing from the town of Gospic, south of Zagreb, the capital.

'My close Croat academic friends have warned me to be careful. They told me that I am on a special hit-list'

In Zagreb, at least four Serbs have been reported kidnapped. Mr Milorad Pupovac, head of the SDF, said two of them, Mr Mikhail Zec and Mr Milos Ivosevic, well-known businessmen, had been killed.

Liberal Serbs in Zagreb say that because of the civil war, which, according to unofficial Red Cross figures, has claimed the lives of 25,000 Serbs, Croats and federal troops, local Croats in the republic's villages and towns are seeking revenge against the Serbs.

"We have reports of massacres of Croats by Serb irregulars, and Serbs by local Croats. I have seen appalling atrocities," said Mr Ivan Cicak, head of the Croatian Peasants Party.

Croatian government officials deny the existence of any Serbian hit-list. However, the ruling nationalist, right-wing Croatian Democratic Movement, headed by Mr Franjo Tudjman, the president, has set up a commission to investigate allegations of a massacre of Serbs in Gospic. The commission's findings have not yet been made public.

Neither Mr Pupovac nor Mr Livada point the finger at any one government institution which may be issuing instructions for questioning, or which may be condoning the vendetta against the Serbs.

Mr Pupovac, who remains determined to seek some co-existence between Serbs and Croats in Croatia, says vendettas against Serbs often take place on the local level. "The government cannot control everything that takes place throughout the republic," he said.

However, liberal Croatian critics, who have been increasingly marginalised by the government, place a large part of the blame on Mr Josip Manolic, president of the Commission for Protecting the Constitution, and former head of the secret police in Croatia under the communist regime.

They say Mr Zdravko Mustac, who until last April was under-secretary with special responsibility for the secret police at the federal government's interior ministry, should also share responsibility.

"Many of the people now running the government are former communists. They have no democratic credentials. They have donned the mantle of extreme nationalism," said a retired Croatian academic who was imprisoned by Mr Manolic in 1966.

Croats are also being interrogated, beaten up, or killed, as Amnesty International, the international human rights movement, recently documented.

General Milan Dedakovic, who defended the Croatian city of Vukovar until it surrendered to the federal army last month, was accused by Mr Tudjman of complicity with federal army counter-intelligence. General Dedakovic was brought back to Zagreb and beaten up, according to Croats in Zagreb.

The Croatian government has reacted to growing criticism of discrimination and intimidation of the Serb community by passing a law which on paper offers political and cultural rights to the Serbs.

But Serb and Croat liberals say this law will not dilute the growing atmosphere of revenge against the Serbs pervading the republic. Nor will it provide any checks and balances on the increasingly authoritarian nature of the Tudjman government.

"This brings us to the whole question of recognition," said Mr Pupovac. "Recognition by western governments of Croatia's independence implies the rule of law and democratic rights. The European Community and the United Nations must work towards setting up a framework for introducing democracy throughout all the republics," he added.

Central Europeans sign EC accords

By David Buchan in Brussels

POLAND, Hungary and Czechoslovakia yesterday stressed their goal of eventually joining the European Community as they signed far-reaching association accords in Brussels.

One last obstacle to the so-called Europe association agreements, which clearly state the central European countries' aspirations to EC membership, was overcome yesterday when Spain won assurances that the EC would take safeguard measures if there were surges in steel imports from central Europe.

The year-long negotiations were thus marked right to the end on the Community side by hard-headed commercial protectionism at odds with the EC's political rhetoric about welcoming new democracies into the fold.

None the less, the agreements will lead to free trade over 10 years, with the Community lowering its barriers to industrial imports more quickly – within five to six years – than the central Europeans will be required to do.

The latter have already sharply redirected their trade towards the west.

Over the 1988-90 period Poland's exports to the EC rose by 58 per cent, Hungary's by 27 per cent, and Czechoslovakia's by 22 per cent; while Poland's imports from the EC increased by 59 per cent, Hungary's 22 per cent and Czechoslovakia's 17 per cent.

Christian Democrats debate a new world role for a united Germany

By Quentin Peel in Dresden

DRESDEN is a good place to talk about responsibility. The ruins of the Frauenkirche are a grim reminder of the wartime bombing which devastated this great Baroque city, once known as Florence on the Elbe.

Yesterday the Christian Democratic Union (CDU), Chancellor Helmut Kohl's party in Germany's ruling coalition, came to Dresden to talk about responsibility. Only this time it was all about post-war responsibility.

Half the debate was about the past, about responsibility for sins of the 40 years of Communist Party rule in what was East Germany, and in particular about who should be blamed for collaboration with the evil Stasi secret police. How far should the party go to clean out members of the officially sanctioned, and largely corrupted, old CDU "block party" of the former system?

Half the debate was about the future: how should a united Germany be facing up to its new responsibilities in the uncertain, risk-laden post-cold war world? What is German national interest in a world of common European foreign and security policies?

Just one year after a considerable victory in the first national elections after unification, the CDU is undergoing its own agonies of east-west division and mutual suspicion. "Coming to terms with the past: building trust," is a major theme of this party congress.

Chancellor Helmut Kohl (left) ponders something said to him by Defence Minister Gerhard Stoltenberg at the congress in Dresden yesterday

"On one side there is too much uncertainty. On the other side there is too much self-confidence," said Mr Hans-Joachim Maaz, a psychotherapist from the eastern city of Halle. "Overcoming the past must be an internal process: but it is an internal process not only for us east Germans, but also for the westerners."

Mr Alfred Gomolka, premier of Mecklenburg-Vorpommern, spelt it out. West German governments had compromised with the East, just as eastern citizens had been forced to do. Many easterners were forced to choose "between martyrdom and collaboration." In the west, they chose to invite Mr Erich Honecker as an honoured guest of the state when he was the detested eastern communist leader.

Like so many debates on responsibility, the result was inconclusive. "They talked about the importance of talking to each other," said an eastern journalist. "They didn't talk about anything concrete."

As for the debate on Germany's new role in the world, it was almost equally uncertain. There was an overwhelming conviction of the need to work within the EC, but there were also calls for more assertion of "national self-interest."

There was also considerable disappointment that the EC summit in Maastricht did not go further to found a common European foreign policy – but no-one wanted to tackle the question of why Germany seems determined to go it alone on Yugoslavia.

One thing was clear. A united Germany does have more responsibilities in the outside world, and its interests are suddenly as much in the east as in the west.

Food costs lift French inflation

By Alice Rawsthorn

FRENCH inflation rose to an annual rate of 3 per cent last month, according to provisional figures published yesterday by Insée, the state statistics institute. In spite of the increase, France still boasts the lowest inflation rate among the Group of Seven industrialised countries.

Consumer prices in France climbed by 0.3 per cent in November, reflecting increased domestic fuel and food prices.

The Ministry of Finance, which is said to consider the November outcome a "good performance" given recent changes in exchange rates and oil prices, also announced a current account surplus of more than FFr7.3bn ($1.35bn) for October, against a FFr2.6bn deficit for September. The deficit for the first 10 months of the year now totals FFr17.2bn, against a FFr40bn deficit during the period in 1990.

France's low inflation reflects continuing economic rigour under Mr Pierre Bérégovoy, finance minister. The annualised inflation rate of 3 per cent compares with 4.2 per cent in Germany, considered by the French government to be an important benchmark. France will tomorrow announce industrial production figures for October. Analysts expect an increase of between 0.3 and 0.5 per cent on September, indicating a slowing of the summer's growth.

Securities directive stalled by divisions

By Andrew Hill in Brussels

SENIOR officials of the Twelve yesterday failed to break the deadlock over proposals to standardise EC securities regulation.

Negotiations on the draft investment services directive again stalled on the issue of transparency: whether, how and when transactions should be made public.

Britain, Germany and Ireland – eager to protect their market-makers – oppose rapid disclosure, but the French lead a group of countries which wants speedy publication of trades.

After 80 minutes of discussion, the Dutch presidency agreed it was not worth passing the issue to finance ministers, meeting in the same building, and the directive would have to be shelved until the Portuguese presidency, which begins next month.

Mr John Redwood, the British minister for corporate affairs, blamed French intransigence for the stalemate. "But it's better to avoid something bad going into place than agree on something bad for the sake of agreement," he said.

Separately, EC finance ministers welcomed Portugal's tough budgetary plan for bringing its economy into line with its Community partners as part of the move towards economic and monetary union (Emu).

Mr Jorge Braga de Macedo, the Portuguese finance minister, said the outcome of last week's Maastricht summit – which imposed a final deadline of 1999 for a single EC currency – had given Portugal's budget policy "a Community dimension".

"We see Maastricht as happy confirmation of what we were intending to do anyway," said Mr Braga de Macedo yesterday.

Portugal has pledged to bring its annual inflation rate – running at 11.4 per cent – in line with the EC average, reducing it to 4 per cent by the end of 1995. The government has also put strict ceilings on expenditure, and promised to curb wages in the public sector.

Mr Gavriil Popov (above), Moscow's mayor, is refusing to go back on his decision to resign, suggesting radical democratic opposition to the Russian president Mr Boris Yeltsin, may be gathering pace, writes Gillian Tett in Moscow. Speaking after the launch of the Movement for Democratic Reform, Mr Popov said his move was being forced by conflicts with his city council and Mr Yeltsin on reform.

Community opts for 'speed limiters'

By David Gardner in Brussels

EUROPEAN Community transport ministers opted yesterday for radical measures to improve road safety, deciding that from 1994 new lorries and buses would be fitted with "speed limiters" preventing them from exceeding newly-prescribed speed limits.

The speed limit for new lorries will be 85km an hour and the limit for buses will be 100km an hour. The UK argued for a higher 60 miles an hour (96km per hour) limit for trucks, but the 12 finally agreed unanimously on the lower limit.

The limits will apply to freight vehicles over 12 tonnes, and buses of over five tonnes carrying more than eight passengers, from January 1 1994 for all new vehicles registered after that date. The same limits will be mandatory for all cross-border vehicles in these categories that have 1988-94 registrations, but from January 1 1995. For national transport, these vehicles will have a further year's grace.

The speed limiters, or "governors" as they are also known, allow a margin of about 5km an hour over the pre-set limit before interrupting the fuel supply. Their introduction is part of an EC programme intended to limit the carnage on Community roads, now costing an average of 50,000 deaths and 1.5m injuries a year.

The decision has to negotiate technical hoops and requires the European Parliament's opinion. But the measures are virtually certain to become law by the time prescribed.

Ciba-Geigy shifts study centre site

CIBA-GEIGY, the Swiss pharmaceuticals group, has dropped plans to build a SFr120m ($86.30m) genetic engineering research centre in Basle following opposition from environmental groups, writes Ian Rodger in Zurich.

The company said in a statement that it was examining an alternative site in the Alsace region of France.

When Ciba applied two years ago for a building permit for its genetic engineering project environmentalists challenged it on the grounds that there was insufficient knowledge of the technology's long-term effects.

When the permit was granted last summer the environmentalists appealed, a process which can stretch out for years. Ciba said this could lead to unacceptable delays.

Britain in top rank of low-pay study

By Alice Rawsthorn in Paris

BRITAIN has the highest proportion of low-paid workers in the European Community, and Belgium the lowest, according to a study conducted for the Brussels Commission by the French research organisation Centre des Etudes des Revenus et des Coûts.

CERC attributes the large number of low-paid workers in Britain and also in Ireland to the practice of negotiating pay on a company-by-company basis and to the absence of a minimum wage.

It says there tend to be proportionally fewer low-paid workers in countries such as Italy and Germany where pay negotiations are generally conducted across different divisions of particular industries, rather than within individual companies. However, in all EC countries, most low-paid employees are women, young people or those with poor qualifications.

CERC found 20 per cent of all UK full-time employees fall into the low-paid category, that is they earn less than 66 per cent of the median wage. In Spain, 19 per cent of the workforce is in that category, and in Ireland, 18 per cent.

The figure is only 5 per cent in Belgium, rising to 11 per cent in the Netherlands, 12 per cent in Portugal, 13 per cent in Germany (excluding the east), 14 per cent in France and 14.5 per cent in Italy.

CERC suggests the decline in influence of UK wages councils and of Irish joint labour committees has contributed to the high proportion of low-paid workers in those countries.

Irish farmers' salvation could be blowing in the wind

Windfarming is seen as a viable alternative for the agricultural sector, writes Tim Coone

FARMERS on the windswept western coast of Ireland, facing a decline in their traditional livelihoods through agricultural reforms, may one day regard the wind as their salvation.

Harvesting the wind could be the 21st century answer to Ireland's financially-strapped agricultural sector, while helping to alleviate the country's near total dependence on fossil fuels for energy supplies.

The European Wind Energy Association has identified Ireland as having some of the best wind resources in the EC, equalled only by Scotland. If Ireland harnessed this it could provide all the country's electricity needs and become a net exporter to the rest of the community.

If 55 per cent EC capital funding is approved, next year will see the setting up of Ireland's first commercial windfarm. It is a I£7.1m ($11.8m) private venture undertaken by Nordtank, a Danish company and a leader in the manufacture of wind turbines. A director of the company said that when the EC made funding available for renewable energy projects in the mid-1980s it started looking for the most viable areas for a windfarm. Ireland, where the 3,000km western seaboard has average windspeeds in excess of seven metres/second, was "clearly the number one on that," he added.

The Irish government, however, has been slow to catch on to the potential of the resource.

Mr Michael O'Connell, head of the alternative energy section at the Irish Department of Energy, said: "Our policy is to encourage the development of wind energy where it is economically and technically viable, but this does not extend to the provision of any particular grants."

The Nordtank project – which will have 21 turbines totalling 6.4MW capacity – will receive only 3.6 Irish pence/kWh generated from the ESB, Ireland's electricity supply board. This is the same rate paid to hydro-electric suppliers and compares with 11.5p/kWh in England and Wales, according to Mr John Halliday, a specialist at the Rutherford Appleton Laboratory at Oxford.

He said wind energy was now starting to take off in the UK as a result of a fossil fuel tax, which is being used to encourage alternative sources of energy.

The main factor which could bring about a rapid change in Irish policy is the planned EC energy tax on carbon-based fuels. The proposed $10 a barrel levy, to be introduced progressively up to the year 2000, has sparked concern in Ireland, which generates 95 per cent of its electricity using coal, oil, gas or peat.

In the mid-1980s it invested heavily in a 900MW coal-fired plant, bringing the ESB's total capacity close to 4,000MW. It is the cheapest power station in the system and produces 42 per cent of electricity supplied to the grid.

It was originally thought this plant would provide sufficient capacity until the end of the century. Demand has grown rapidly, however, and Mr Robin McKee, head of the electricity section at the Department of Energy, believes new plant will be needed by 1994 or 1995.

A planned 600MW cable connection to the UK, to buy power from the UK grid, is unlikely to be on line until the latter half of the decade.

Mr McKee said the government's view was that a new fossil-fuel power station would be the most likely solution, adding the economics and reliability of wind turbines had not been proved.

With a total budget of about I£5m a year, the Department of Energy has little cash to spare to promote alternative energy supplies.

Ms Mary Flaherty, opposition Fine Gael spokesperson on energy, claims the government does not have an energy policy. A Fine Gael policy paper published in 1987 stated that "as little as 100 sq km would be needed to supply 10 per cent of our electricity [from wind]... the [wind] programme needs a much stronger commitment".

The Danish government, which is the European leader in the field, already has 360MW-capacity of wind turbines installed and plans to have about 2,000MW, or 10 per cent of its electricity supplies, generated from windfarms by the turn of the century.

The European Wind Energy Association, in a report produced last October, says "the same 10 per cent figure is realistic as a long-term goal for Europe of, say, 40 years".

The determinant factor in Ireland's case will be finance. Specialists claim the technology has been proved to work, and that what is now needed is a change in the institutional approach to the pricing policy for wind-generated energy.

Mr O'Connell believes that with official encouragement "wind turbines will get on to the market and prices will come down". This has been the Danish experience, and subsidies have been steadily reduced since the introduction of turbines.

The Irish farmers on the coasts of Donegal, Mayo and Galway – struggling with declining sheep, beef and milk subsidies – could justifiably argue for a replacement subsidy to harvest the resource presently blowing over their heads. The concept of farming wind might still require a considerable stretch of the imagination, though, and not just on the part of farmers.

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Kerrey gains most in party's first presidential debate

Democrats in the spotlight

By George Graham in Washington

CANDIDATES for the Democratic party's presidential nomination have laboured for months under two shadows: those of President George Bush, the Republican incumbent one of them must face, and of Governor Mario Cuomo of New York, the Democratic enigma whose musings over whether to run for the presidency have eclipsed the six principal contenders already in the running.

On Sunday, these candidates finally got their chance to emerge from the shade in the first televised debate of the election season.

While no clear winners emerged, the event did at least give a bit of the limelight to the candidates, whose lack of national recognition is one of their biggest handicaps against Mr Bush. The limelight is likely to swing away again this week, however, as Mr Cuomo is expected to make up his mind by Friday – the filing deadline for the February 18 New Hampshire primary, the first big vote in the race.

Instant assessments from Washington commentators suggested that Senator Bob Kerrey of Nebraska had gained the most from the debate, which was watched by an estimated 8m viewers.

Mr Kerrey, a youthful war hero who lost his leg in Vietnam, has fared poorly since he launched his campaign 2¼ months ago. He suffered when an ill-judged joke was picked up by a lurking microphone, and he has struggled to convey much of a message beyond his detailed plan for national health insurance.

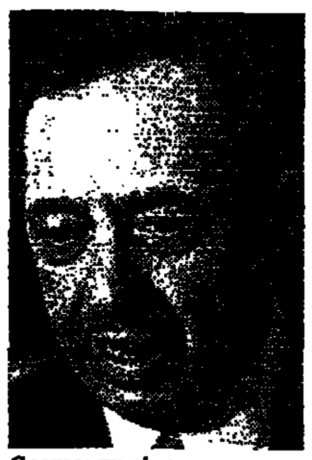
His great strength as Nebraska's governor and then senator, however, was his ability to win popularity while espousing unpopular causes. In Sunday's debate, he showed a glimpse of this by proudly reaffirming his opposition to the Gulf war.

Political analysts also said Governor Bill Clinton of Arkansas, who has so far been front-runner among the Democrats, had failed to make much of a mark in the televised debate and appeared to be resting on his laurels.

Newspaper sampling of voters in New Hampshire and Indiana, however, suggested the opposite. Viewers interviewed by USA Today newspaper said Mr Clinton had given an impression of coolness by steering clear of the bickering that marked the debate.

The Clinton campaign's biggest victory, however, came in Florida, where Mr Clinton won 54 per cent of the votes in a straw poll of Democratic delegates, substantially outdistancing Senator Tom Harkin of Iowa, with 31 per cent, and Mr Kerrey, with 10 per cent.

Clinton: coolness



Cuomo: musing

The straw poll and the debate underlined the emergence of these three candidates as the Democrats' first division, with former California Governor Jerry Brown, Governor Douglas Wilder of Virginia and former Senator Paul Tsongas of Massachusetts playing in a junior league.

The debate shed little light on the economic issues that divide the candidates: efforts to discuss these were short-circuited by Mr Brown, who missed few opportunities to appeal raucously for cash contributions. "Brown was a real mess. He just put a monkey wrench into everything," commented Mrs Tiby Sharlin, a Washington Democrat who watched the debate.

Mr Brown is sometimes known as "Governor Moonbeam" for his dabblings in eastern mysticism and his sojourns with Mother Teresa in Calcutta, but his shrill rantings suggested he had learnt little about inner peace.

Venezuela sell-offs gather pace

State telecom company sale has given the privatisation programme a boost, reports Joe Mann

AFTER a lacklustre start, the Venezuelan government's privatisation programme appears to be gathering pace.

The programme, announced in 1989, recently scored a stunning success when an international consortium headed by GTE surprised the government – and virtually everyone else – by offering \$1.89bn (£1.05bn) for 40 per cent of the shares of the state telecommunications company, CANTV.

GTE, which has a 51 per cent interest in the consortium, bid approximately \$1bn more than the government's minimum price. Apparently, the group sees great possibilities for CANTV, which in the past has lost large sums of money: last year it reported an operating profit on revenues of some \$500m, but registered a net loss of \$71m due to losses in debt service and foreign exchange transactions.

On December 3, GTE and its partners – Telefonica de Espana; La Electricidad de Caracas, Venezuela's largest private utility; the Banco Mercantil group of Venezuela; and AT&T – finalised the takeover of CANTV shares, announced that the \$1.89bn had been paid to the Venezuelan government, and assumed operating control of the company.

The new owners face a formidable task. They are taking over a company that has been one of Venezuela's most inefficient, whose poor service has hurt economic development and caused huge problems for the population.

CANTV, with 20,000 employees, has about 1.5m telephone subscribers nationwide, and demand for new telephones alone has been estimated at around 4m. Making domestic and international calls in Venezuela is normally an exercise in frustration, as the system is poorly maintained and extremely congested. Those who lacked influence in the past had to wait up to eight years for a telephone line.

Before CANTV was sold, the administration of President Carlos Andrés Pérez had little to show in terms of selling state enterprises, to which it had given high priority.

At the time, the government had sold only three commercial banks and its main international airline, Viasa.

However, the pace of privatisation is expected to pick up briskly over the next year, as the government-owned Venezuelan Investment Fund (VIF) and its international advisers put a variety of companies on the block. These include another international airline (Aeropostal), a shipyard (Astinave), several hotels and a cable car, a cement company, sugar mills, and water and electric power concerns. There appears as yet to be no plan for the early privatisation of parts of CVG, the state's heavy industrial conglomerate.

Regional governments are also letting out management contracts for operating Venezuela's commercial ports.

The sale of 60 per cent of Viasa's shares brought the government \$145.5m and gave Iberia and its Venezuelan partners operating control over a company with a spotty record of profits and service.

Although the deal represented the privatisation of an important state asset, it was disappointing. Perhaps a dozen international airlines had expressed interest in buying control of Viasa, but only one consortium – Iberia and Venezuela's Banco Provincial group – tendered last August. The disappointment was clearly erased in the euphoria of the CANTV bidding, which attracted two consortia.

But Viasa now faces a challenge from pilots, who went on strike on November 24, forcing all flights to be cancelled. The company says the strike, in pursuit of a rise in basic wages of more than 300 per cent, is costing \$1.35m a day.

Privatisation began slowly for a number of reasons. First, the VIF had to make a list of government properties that might be sold, overcome any legal problems associated with privatisation and decide on priorities and bidding procedures. The inventory alone presented a big problem, since past governments in Venezuela had no clear idea of what the state actually owned.

The fund then had to face stiff domestic opposition that developed as the list of companies to be privatised – big generators of red ink and public services badly in need of reform – was made public.

The opponents included politicians, including some figures from the ruling government party, who worried about selling "strategic" companies such as the CANTV, especially to foreigners. The latter, for example, carries out electronic surveillance for the government.

Other opponents included groups who in some way benefited from the status quo.

However, the charge that the national patrimony is being sold for a pittance will have been deflected, at least in part, by the price obtained for CANTV at last month's auction.

Collor launches attack on critics

By Christina Lamb in Rio de Janeiro

BRAZIL'S President Fernando Collor de Mello launched a bitter attack on his critics yesterday in a desperate attempt to recoup some of his government's flagging popularity.

Returning from a trip to Rome to find his government mired in accusations of corruption over a billion-dollar plan to build integrated education centres where children would be taught, fed and given health care, Mr Collor yesterday called journalists together to defend this pet project against calls for its suspension.

Faced with a barrage of hostile questions Mr Collor insisted he would persevere with the programme, known as "My People Project", and said: "This is a courageous programme to help children who are dying of hunger, becoming prostitutes, thieves or drug addicts. It should be a national priority, he said.

He accused his detractors of "a campaign against our children and our future".

Corruption is the latest in a series of problems for Mr Collor. Ironically, while he has improved Brazil's image abroad in recent months, initialling a letter of intent with the International Monetary Fund for a \$2bn (£1.1bn) loan, Mr Collor's domestic popularity has dropped from 80 per cent 18 months ago to around 20 per cent today.

The government's tight monetary policy has provoked the worst recession for a decade and its planned fiscal adjustment is now under threat because of Mr Collor's failure to secure political support for a sweeping tax reform, needed if the IMF is to approve a loan. Due to go into recess on Thursday, Congress has refused to approve the federal budget.

Appearing haggard and under pressure, Mr Collor said he had reduced inflation from 1,500 to 500 per cent a year. He hit at business, saying: "It's easy to blame the government for their inefficiencies. Why don't they look at themselves?"

He said business in São Paulo provoked unemployment by putting up prices and "betting on a new shock plan".

"Until recently when a company had difficulties it could come to the presidency crying for an emergency operation such as cheap government credit. Well, that no longer exists. Those who are inefficient will collapse and should go and do something else such as starting a bar or a small shop," he said.

Menem faces fourth scandal of the year

By John Barham in Buenos Aires

ARGENTINA'S President Carlos Menem is facing his fourth corruption scandal of the year, following the allegation by an opposition newspaper that two presidential aides abused their positions to sell sub-standard powdered milk at inflated prices to a government child nutrition programme.

One of the aides, Mr Carlos Spadone, took leave of absence last week. He said his business dealings with the government were perfectly legal, but recognised they could be unethical. Pressure in the media is now growing for Mr Menem to sack Mr Miguel Angel Vicco, his private secretary, who is accused of colluding with Mr Spadone.

In January, Mr Menem purged half his cabinet after the press leaked a US embassy letter complaining of corruption. In March, the press carried reports from Spain that three officials, including Mr Menem's sister-in-law and appointments secretary, were implicated in an international drug money laundering scheme. In September, Mr Vittorio Orsi resigned as planning secretary after accusing officials of corruption in handling government contracts.

In each case, Página/12, a left-wing newspaper, was the first to report on the alleged misdeeds of Mr Menem's entourage. Página/12, founded in 1986, has doubled its average daily circulation to over 100,000 in the last year. But it is still operating on a shoestring even though it is now Argentina's third best selling newspaper.

Officials have ordered all departments to stop advertising in the newspaper. Mr Jorge Lanata, the editor, says government advertising makes up 25 per cent of its advertising revenue. On Sunday he printed a form for readers to send to the courts charging the government with "abuse of authority" and "crimes against press freedom".

Hopes for Haiti deal

By Canute James in Port of Spain, Trinidad

THE Organisation of American States has reported progress in its attempts to secure the reinstatement of Haitian President Jean-Bertrand Aristide, overthrown at the end of September.

Mr Christopher Thomas, OAS assistant secretary general, said a prime minister would be named soon who would be acceptable to Mr Aristide, the Haitian military which overthrew him, and the Haitian parliament.

Mr Thomas's statement coincided with reports from Port-au-Prince, Haiti's capital, that Mr Aristide, who is in exile in Venezuela, and a group of Haitian legislators, had agreed on a new prime minister.

There is still some doubt, however, whether the choice, Mr Victor Benoit, a school administrator and leader of a centre-left party, would be supported by the Haitian senate and, more significantly, by the military, the de facto authority in the Caribbean state.

Mr Aristide, a populist priest who a year ago won Haiti's first elections in 30 years, was overthrown after seven months in office. Members of the OAS, and several European countries, imposed an economic embargo on Haiti as part of an attempt to force the army to allow the president to return.

The army is not expected to drop its opposition to the president's return. There is also strong objection from the Haitian business community.

Israeli interest rate cut to boost immigration

By Hugh Carnegy in Jerusalem

THE Bank of Israel yesterday triggered a sharp reduction in interest rates, seizing on a fall in the rate of inflation to try to regenerate flagging growth and help stem mounting unemployment levels which threaten Soviet Jewish immigration.

Mr Yitzhak Shamir's government has been alarmed by clear signs that the economy is not expanding fast enough to cope with the accelerated flow of newcomers from the territories of the former Soviet Union on to the job market. More than 35 per cent of such immigrants are now out of work.

With an election next year, ministers are under political pressure to prove they can attract Soviet Jews, who are showing increasing reluctance to embark for Israel. But they are also under strong pressure to keep a tight rein on fiscal and monetary policy by Washington as a condition for \$10bn (£5.5bn) in US loan guarantees needed to help absorb the influx.

In recent months Mr Jacob Frenkel, the former senior IMF official who took over as Bank of Israel governor in August, insisted on maintaining high interest rates to choke off demand for foreign currency and to squeeze down a surge in inflation.

On Sunday, latest inflation figures showed the consumer price index had risen by only one tenth of 1 per cent in November, the lowest monthly figure for five years. It confirmed a markedly downward trend since August when annual inflation was running at well over the 20 per cent mark.

Mr Frenkel immediately announced a 3 per cent cut in central bank "discount-window" lending rates for commercial banks, bringing the lowest rate to 12 per cent. The main banks followed suit, bringing relief to borrowers who had been paying more than 30 per cent for some facilities. Business overdraft rates were still likely to be 25 per cent or more, a Bank of Israel spokesman said yesterday.

There was a quick reaction on the Tel Aviv Stock Exchange where the main blue chip index rose 5 per cent on the day after losing more than 12 per cent of its value over the past month.

The fall in inflation was largely a result of a petering out of rampant house price inflation as a building boom closed the gap in housing demand caused by immigration. But the imminent peak in housing starts also contains bad news as government-induced construction has been the main source of 6 per cent growth this year.

Exports, supposed to be the growth engine, have declined. The public sector share of the economy, instead of declining, has risen slightly, with state spending accounting for 60 per cent of gross domestic product.

The rate of GDP growth is now forecast to dip slightly next year while the labour force is set to expand by more than 8 per cent. Overall unemployment is expected to rise to more than 12 per cent.

Chinese premier Li Peng waves as he leaves the Presidential Palace with Indian prime minister P.V.Narasimha Rao in New Delhi yesterday

LI PENG LEAVES INDIA WITHOUT AGREEMENT ON BORDER

LI PENG, the Chinese premier, yesterday ended a six-day visit to India with the two countries failing to narrow differences over key bilateral issues, David Housego writes from New Delhi.

Mr Narasimha Rao, the Indian prime minister, said after the visit, the first by a Chinese premier in 31 years, that there had been no significant progress on the border dispute which brought the two countries into conflict in 1962. They agreed, however, to pursue talks through officials and for their armed forces to establish closer contacts.

China insisted on including in the final communique a toughly worded statement over Tibet reflecting its fears that Tibetan exiles will increasingly use India as a springboard to widen their campaign against Chinese rule.

The communique said that China expressed concern at the "continued activities" in India of Tibetan exiles and that it was firmly opposed to independence for Tibet.

By contrast, India repeated its support for Tibetan autonomy while asserting that it did not allow Tibetans to engage in "anti-China political activities". To save embarrassing Li Peng during the visit, the Indian government arrested several hundred Tibetans who it feared might demonstrate against the Chinese premier.

It also agreed to permit the resumption of border trade that Tibetan exiles in India believe is economically damaging to them.

The agreement will allow exports to India from Tibet – thus competing with Tibetan products manufactured in India by Tibetan exiles.

Notwithstanding the reference to Tibet, India failed to extract from China any mention in the communique of Kashmir. India had sought Chinese condemnation of Pakistan's support in weapons and training of militant separatists in the northern state. The communique only contained a vague statement of China's belief that bilateral disputes should be settled peacefully.

Both sides also stuck to their established positions over proposals for declaring southern Asia a nuclear-free zone. China backed Pakistan in declaring its support while India dismissed it as leaving India at a potential disadvantage to China in nuclear capability.

Australia set to seek economic expansion

By Emilia Tagaza in Canberra

THE AUSTRALIAN Labor government has foreshadowed a shift to expansionary economic policies in an attempt to stay within budget forecasts on growth and employment.

Mr Ralph Willis, the federal treasurer appointed a week ago, said yesterday the government would issue an economic statement in the new year if the December economic results were worse than expected.

"I can see that we would be less likely to reach the budget forecast without a change of policy," Mr Willis said.

The November unemployment rate was 10.5 per cent, the highest jobless rate since the 1930s depression.

Mr Willis's announcement came at a time when Mr Bob Hawke, the prime minister, under great pressure to relinquish his leadership, is attempting to marshal support from Labor MPs.

The Labor caucus is to meet on Thursday and, while a leadership vote is not on the agenda, Mr Hawke will come prepared for a showdown. The announcement of the expansionary economic policy shift may ensure that he keeps the supporters that backed him in the June ballot.

Conservatives do well in Nigeria

Nigeria's conservatives received a strong boost in their party's quest for national leadership next year after a robust showing in state governorship elections, political analysts said yesterday, Reuter reports from Lagos.

The weekend elections, contested by two parties created by the military government and held in all 30 states of the federation, were a test of plans to restore civilian rule in late 1992 after national assembly and presidential polls.

Burmese army tightens grip

Burma's military rulers have further tightened their grip on the country by obtaining the expulsion of Ms Aung San Suu Kyi, the detained Nobel peace prize winner, from the party which she led, Our Foreign Staff writes.

The National League for Democracy won a landslide victory in elections last year even though she had been put under house arrest in July 1989. However, the ruling State Law and Order Restoration Council has remained in power, ignoring the election result.

Aids threatens 6m in Africa

Aids will kill more than 6m Africans in the next decade and will eclipse all other diseases as the continent's number one killer, a World Health Organisation conference was told yesterday, Reuter reports from Dakar.

Delegates also heard:

- There will be 4m infants born with Aids in the next 10 years;
- The disease is already decimating the most productive members of Africa's population and that in many rural villages entire families have died from Aids;
- In some African cities 80 per cent of hospital beds are already allocated to Aids patients, no fewer than 50 per cent of whom are suffering from tuberculosis.

Vanuatu elects new prime minister

Right-winger Maxime Carlot was elected prime minister of the South Pacific nation of Vanuatu yesterday through an alliance with Fr Walter Lini, the former premier, Reuter reports from Vila.

Mideast peace talks stay in a Washington corridor

ARAB-ISRAELI peace talks entered their second week yesterday, with chances for progress made uncertain by obstinate disputes over procedure and substance, AP reports from Washington.

Mrs Hanan Ashrawi, Palestinian spokeswoman, said her side had proposals to end an impasse between Israel and a joint Palestinian-Jordanian delegation and get the groups into the negotiating room. Leaders of the parties spent the first week in a State Department corridor trying to decide how to conduct their talks.

They returned to the same hallway yesterday, while Israeli delegations met separately with representatives of Syria and Lebanon.

The dispute revolves around a Palestinian demand to negotiate with Israel directly, separately from Jordan. Israel insists the Palestinians remain under the umbrella of a joint Jordanian-Palestinian delegation, breaking up into working groups for discussions of specific issues with Israel.

Mrs Ashrawi said the Palestinians will propose that all three parties meet in one negotiating room, but then immediately break into two groups to discuss separately Palestinian and Jordanian issues.

Egypt fearful of Iran's influence over Sudan

By Tony Walker in Cairo

EGYPTIAN officials are expressing concern about signs that Iran may be seeking to export its revolution to fertile ground in Sudan where Islamic extremists hold sway.

The four-day visit to Khartoum of President Ali Akhbar Hashemi Rafsanjani of Iran – a rare foreign foray for the Iranian leader who is generally considered to represent the more moderate face of the regime – has further deepened Cairo's worry about developments in neighbouring Sudan.

Mr Rafsanjani's speech at a mass rally, offering Iranian backing for the Sudanese people's "revolutionary adherence to Islam" has contributed to the growing unease among Egyptian officials.

A foreign ministry official said Cairo feared Iran's support for prevailing ideology in Sudan may encourage it to harden its position on issues such as Middle East peace and human rights.

Egypt is also worried about Iranian military support for Sudan which is engaged in a bitter civil war with southern secessionists. Mr Rafsanjani's delegation reportedly included a number of defence experts.

The Iranian leader's visit coincided with reports that Sudan was providing training camps for Islamic militants from across the Arab world. Iran was said to be involved.

Egypt's relations with Khartoum are crucial since its lifeblood, the Nile, flows through Sudan.

Cairo has been deeply troubled recently by chaos in Sudan and the coming to power of a military regime backed by Islamic militants.

Iran is reported to be offering Sudan, whose economy is in shambles, oil on concessional terms. It may also be providing some direct financial assistance. Libya was fulfilling that function, but has distanced itself recently under Egyptian pressure.

Libya, which is in danger of being further isolated because of allegations that its agents bombed a Pan Am jet in 1988, needs Egyptian support in dealings with the international community.

Japan gives 'foreigners' grudging acceptance

Japanese-Brazilians find a welcome in Oizumi's factories. **Stefan Wagstyl** reports

THE SIGN says "Tropical Vehiculos" in Portuguese above a second-hand car dealership in Oizumi, an industrial town on the edge of the sprawling mass of Tokyo. Nearby, a Brazilian supermarket stocks chocolate, guava jam and beer from São Paulo. Round the corner, stands a newly-built restaurant specialising in Brazilian-style beef.

These businesses serve a fast-growing community of Brazilian immigrants hired to ease crippling labour shortages in local engineering factories and workshops.

While Japanese immigration law forbids most foreigners from coming to work in Japan, it makes an exception of foreigners of Japanese origin, or Nikkeijin. The biggest group to take advantage of this loophole are the descendants of Japanese who went to Latin America before the second world war, most of them to Brazil.

Companies facing labour shortages have been so keen to hire Nikkeijin that the number of Latin Americans in Japan has soared in the last two years from around 20,000 to 150,000-160,000, according to Foreign Ministry estimates.

Oizumi has one of the biggest concentrations of foreigners of Japanese origin – about 2,000 people in a town of 40,000. It also has one of the best records in making its newly-arrived foreigners feel welcome.

The town's story shows how the efforts of a handful of individuals can go some way to counter even well-entrenched ignorance and ill-will.

By their own admission, many Japanese find it difficult to accept foreigners living among them. They believe their own history as an isolated island nation has left them ill-prepared to deal easily with foreigners.

Such attitudes become self-fulfilling – as the centuries-long discrimination suffered by Koreans living in Japan attests. "There is a sort of allergy to foreigners," says Yasuyuki Suzuki, a retired diplomat who now heads a national support association for foreigners of Japanese origin.

These prejudices run as deep in Oizumi as elsewhere. But an enlightened group of employers has gone some way towards making the immigrants from South American feel more comfortable than in many other parts of Japan. They have won the support of the town council for schemes to encourage the integration of Nikkeijin into Japanese life – including hiring Brazilian-speaking teachers for schools and inviting the Nikkeijin community to take part in town festivals.

Much of the credit for helping Nikkeijin to settle in Oizumi goes to Mr Katsumi Yonezawa, founder and president of Okayama Industry, a manufacturing company employing 100 people making seat cushions for railway carriages. Mr Yonezawa used to employ many Asians, including Pakistanis, travelling on short-term tourist visas. But in 1989, he correctly foresaw that a government review of immigration law would make it impossible to continue hiring Asians so he prepared to switch to Nikkeijin.

He flew to Brazil four times and recruited a local agent to channel immigrant workers to Oizumi. Using this direct link, Mr Yonezawa and other local employers were able to avoid independent recruitment agencies and other middle-men who have made life miserable for many Nikkeijin in Japan.

The biggest cause of irritation for Nikkeijin is exploitation by unscrupulous agents who lure workers with mendacious promises of high wages. Some charge fat front-end fees, often for spurious services such as securing airplane tickets and visas. A few agents are linked with yakuza – criminal organisations – particularly in industries such as construction where the yakuza have long played a part in supplying labour.

Housing also poses problems for immigrants. Japanese landlords are reluctant to rent accommodation to foreigners for fear that they might not be paid or their property damaged. Mr Yonezawa says he and other employers in his group try to persuade local people that Nikkeijin make good tenants. "But it is difficult, especially with absentee landlords in Tokyo."

Some agents respond to the housing shortage by placing too many people in cramped accommodation. A Nikkeijin worker in Oizumi says that up to 15 men sometimes share a single two-room flat with one bathroom and kitchen. In these circumstances, tensions rise, there are arguments and neighbours complain about shouting and fighting.

Town council officials say Mr Yonezawa's group has been careful to secure adequate housing. The employers are now building new blocks of flats because they cannot find enough on the market. For its part, the council has responded to the influx of Nikkeijin by hiring Portuguese-speaking teachers and publishing information in Portuguese.

Formidable difficulties still remain. Mr Yonezawa's group accounts for only about one-third of the Brazilians in Oizumi. Town council officials say other employers are much less scrupulous. Also, even immigrants who have good jobs and housing run into prejudice from a host of other sources – shopkeepers, neighbours, people on the streets. There are bars they cannot enter. "The children are sometimes singled out for bullying at school," says Mr Akira Iwase, a town planning department official.

Moreover, few immigrants can speak Japanese, nor are they familiar with Japanese customs. For example, a handbook for Nikkeijin points out that Japanese do not like open displays of emotion – 'the complete opposite of Brazilians.'

While Mr Yonezawa is regarded as a father by many Nikkeijin in Oizumi, he argues that it is in Japanese employers' own interests to help immigrants. "We will never have enough Japanese to work in these factories again. Foreigners make good workers, just like Japanese. There's no difference."

According to the town council's opinion polls, few Nikkeijin plan to stay in Japan permanently. They see themselves travelling back and forth, investing their savings in Brazil in land or in a business. Miss Sandra Oshima, a 19-year-old from São Paulo, says: "Oizumi is not so bad but our hearts are in Brazil."

That may be true, but as long as the Japan's labour shortage remains acute, Nikkeijin will be drawn to the land of their ancestors. If the experience of immigrant workers in Europe is anything to go by, the Nikkeijin's stays in Japan will get longer and longer. Already babies have been born to Nikkeijin couples in Oizumi. Future customers, perhaps, for Tropical Vehiculos.

Money supply growth eases industry fears of fund shortage

By Robert Thomson in Tokyo

JAPAN'S money supply in November expanded 2.5 per cent from a year earlier, easing concerns that the Bank of Japan's tight monetary policy is strangling the flow of funds to industry.

The expansion in November, the first in five months, followed a record low of 2.1 per cent growth in October, and central bank officials insisted yesterday that funds were available for Japanese companies wanting to borrow.

Japanese executives have complained that the banks' policies have led to an unnecessarily sharp downturn in economic growth, while central bank officials say that the economy is still recovering from the financial excesses of the late 1980s and is on course for a "soft landing".

Meanwhile, the Nomura Research Institute yesterday forecast that the Japanese economy will grow only 2.3 per cent next fiscal year, down from its forecast of 3.4 per cent growth in the year to end March 1992.

The institute, run by Nomura Securities, expects that interest rates will fall next year, but that private capital spending will be 1 per cent lower than this year.

Tokio Marine and Fire Insurance is more optimistic, forecasting 3.5 per cent growth this fiscal year, and a 2.9 per cent expansion next year. Meiji Mutual Life Insurance expects the economy to grow 3.6 per cent this year and argues that lower interest rates will result in growth of about 3.2 per cent next fiscal year.

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WORLD TRADE NEWS

EC ministers back agreement to end tied aid

By David Dodwell, World Trade Editor

EC finance ministers yesterday backed an agreement among industrial countries not to mix aid with commercial credits as a way to win contract business in the developing world.

Agreement came as the deadline approached for ratifying a deal agreed in principle in October by members of the Organisation of Economic Co-operation and Development (OECD). By yesterday, the EC was the only outstanding signatory, with relief at the OECD's Paris HQ when agreement was confirmed.

The UK government, which has campaigned hard alongside the US and Canada for an end to "mixed credits", is understood to have "twisted arms to breaking point" inside the EC to win agreement, a European banker noted yesterday.

Apart from Japan, a significant user of tied aid to back export business, the prominent European users of such aid have been France, Italy and Spain. Critics say such use distorts free competition for some of the world's fastest growing export markets.

In future, any project deemed "commercially viable" will not be eligible for aid funds, and must rely entirely on commercial credits. OECD officials conceded yesterday it may be some time before they reach an effective definition of a "commercially viable" project.

Officials from 22 of the 24 OECD member states meet in Paris on January 27-29 to write up the rules, expected to come into effect in the first two months of 1992.

These will, for the first time, allow OECD members to vet in advance each others' aid projects to ensure fair play. The body in charge of refereeing the new rules will be an OECD committee, to be known as the consultations group. It will meet monthly in Paris and must be consulted on any officially-funded aid project worth more than SDR50m (£38.8m).

Political will boosts hopes of N America trade pact

Efforts by Bush and Salinas have increased prospects of a deal early next year, writes **Nancy Dunne**

THE ODDS in favour of a North American Free Trade Agreement (Nafta) shortened at the weekend when Presidents George Bush and Carlos Salinas de Gortari agreed to push hard for a pact early next year.

"We want to get it soon," Mr Bush said of efforts to reach an accord with Mexico and Canada. "We want to get it just as soon as we possibly can."

"We are marching ahead aggressively," added Mrs Carla Hills, the US trade representative. "The substance will drive the deadline."

Concern that Congress, with its Democratic Party majority, will reject the pact has been sidelined for the time. Trade officials say they expect a draft agreement with all disputed clauses enclosed by brackets to be concluded by the end of next month.

Progress after that depends on five factors:

● The negotiators themselves and how swiftly they sort out their differences over sensitive issues such as rules of origin, a dispute settlement mechanism and foreign investment in the Mexican energy sector.

● The ability of the negotiators to satisfy congressional demands for environmental and labour-rights agreements and President Bush's ability to come up with a worker-adjustment programme. Without these, Congress appears certain to reject a Nafta next year.

● The Democratic presidential candidate and whether he, like Arkansas Governor Bill Clinton, favours a Nafta, or, like Senator Tom Harkin of Iowa, campaigns against it.

● The recession and continuing concern over job losses.

● The outcome of the Uruguay Round of trade liberalisation under the General Agreement on Tariffs and Trade (Gatt). Should it succeed, the administration will be so absorbed in writing it, then, with Congress, implementing legislation and passing it, that there would be little time or energy left for the Nafta.

Mrs Hills insists both can be done, but with the Uruguay Round at a perilous point she is hardly likely to say otherwise. She is said to have argued strongly against launching the Nafta before concluding the round.

Ever since the November victory of Democratic Senator Harris Woffard, who campaigned against the Nafta in Pennsylvania, it has been the conventional wisdom in Washington that the Bush administration would manage to delay the talks until after the presidential election next November.

Salinas: a real commitment to push ahead

White House political advisers reportedly held a post mortem after the Woffard victory and decided that the Nafta had been a significant element in the Republican defeat. They fear the issue would "resonate" through the recession-spooked electorate.

"It would be hard for the average American to ignore the implication of job losses," said Mr Craig Merrilees, director of a coalition of environmental, consumer, labour and farm groups opposed to a quick Nafta.

However, rumours that US trade negotiators have been reassigned from the Nafta talks to the Gatt negotiations have been denied at the trade representative's office.

With Mr Pat Buchanan, the "America-first" political columnist, and Mr David Duke, the former Ku Klux Klan member, pressing President Bush from the right, the support of the business community is vital to his re-election. Many business executives are more excited about the prospects of a Nafta than a revitalised Gatt. They see the Latin American markets as a natural target for US trade expansion.

Some argue that the Pennsylvania senate race provided a lesson on how not to campaign on the Nafta.

The president has already committed himself to free trade with Mexico, and he would look weak if he seems to be back-pedalling. The president is being advised that his best option is to make a strong case for the Nafta – that jobs would be created through increased exports to Mexico. The president could point to the healthy growth in US exports to its southern neighbour – \$1.2bn in 1990 – and the building trade surplus this year. He can argue that it is better that cheap labour jobs go to Mexico, which uses its earnings to buy US goods, than to Taiwan or Thailand.

This is also an issue likely to win votes among Mexican Americans.

Congressman Bill Richardson, a New Mexico Democrat, is urging the president not to delay on the Nafta but to include it as part of his economic growth package when he makes his state-of-the-union address next month. A postponement would send "the wrong message" to Latin American countries, lined up for FTAs, and delay formation of a North American free trade block which could compete against a united Europe and a Pacific rim trading block, he argues.

There are many who see a natural fit between the US and Mexican economies – a marriage of high technology and capital with low-wage labour, an ageing population with a much younger work force – which offers both their best prospect for international competitiveness. It is a fit which does not exist with Canada, where both industrialised countries have similar living standards, educational levels, natural resources and technology.

But the governments of the US and Mexico are likely to press on. Because both firmly believe in the potential for gain, there exists an advantage the Uruguay Round has lacked – the "political will" and the real commitment by the leaders involved.

Dunkel to act on EC-US farm row

By William Dullforce in Geneva

WITH the EC and US still unable to resolve their differences over farm subsidies, it seemed increasingly likely yesterday it would be left to Mr Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, to propose compromises. Mr Dunkel has said he would table final draft accords on all areas of the Uruguay Round trade talks on Friday.

President George Bush exchanged letters on the farm issue with Mr Ruud Lubbers, the Dutch prime minister and current EC president, last week. EC officials said the two were intent on finding an understanding for completing the Uruguay Round talks.

But, despite intensive talks here among the eight main farm-exporting blocs, EC and US officials said there had been no convergence of positions on the central issue of how to cut export subsidies and on the limits the US wants to set on EC subsidised exports on world markets.

A basic problem remains how far export subsidy cuts should be tied to budget outlays or product volumes exported. Mr Ray MacSharry, EC farm commissioner, has proposed that two thirds of the cuts be related to volumes and one third to outlays, officials say. But when the 35 per cent reduction over five to six years and the base period from which calculations would be made are considered, the cuts would not come down to the ceilings the US wants.

Mr Louis Mermaz, French farm minister, has criticised Mr MacSharry for exceeding his mandate with his latest proposals, and warned France would seek a joint meeting of EC trade and farm ministers immediately after the farm accord text is published. The active engagement of other countries in the farm talks is complicating the issue. Canada yesterday objected to the conversion of all import barriers into customs duties sought by the US and envisaged in the farm reform draft text tabled by Mr Dunkel last week.

This "comprehensive tariffication" would, in effect, make it impossible for Canada to keep its present agricultural supply management programmes. Japan, Korea, Norway, Switzerland and Israel backed the Canadian call for "carefully circumscribed exceptions". The US, the EC and the 13 other members of the Cairns Group of farm-exporting countries, to which Canada belongs, all agree to full tariffication.

In fact, only two days remain for countries to strike deals on the diversity of agreements under negotiation for the past five years. On Thursday, Mr Dunkel and the chairmen of the negotiating groups start writing their final texts to submit to delegations on Friday. The EC Commission has asked the trade ministers of the 12 member states to meet in Brussels on Monday to assess the package.

Brazil's economy overshadows common market talks

By Christina Lamb in Rio de Janeiro and John Barham in Buenos Aires

THE FOUR heads of state of the countries comprising Mercosul, a tariff-free common market for Latin America's southern cone grouping 200m people, meet in Brasilia today for a summit overshadowed by Brazil's economic and political instability.

Under the Treaty of Asuncion signed in March, Brazil, Argentina, Uruguay and Paraguay are pledged to create a free-trade zone with common external tariffs and co-ordinated trade policies by the beginning of 1995.

The treaty came into effect two weeks ago with the reduction of tariffs by 47 per cent. There has already been a large increase in regional trade and numerous accords signed on co-operation in many sectors of the economies.

Brazil, by far the largest member, has been the most aggressive in using the opportunity, doubling its sales to Argentina, as part of attempts to compensate for the shrinking of its exports to traditional markets such as the US.

However, Brazil's inflation has worsened sharply over the year and is running at over 20 per cent a month. The gap with Argentina, the second largest member, is growing larger: Argentine inflation dropped to 0.4 per cent in November and the country has eliminated nearly all trade barriers and lowered tariffs to between 3 per cent and 22 per cent.

Argentina is expected to press Brazil for greater speed in introducing economic reforms, seeing the economic problems in Brazil as a theat to the 1995 deadline. It is also likely to demand that Brazil reduce subsidies to private companies.

A Brazilian foreign ministry official yesterday shrugged off the criticism and said that, as a result of a meeting earlier this month between Brazil's President Fernando Collor and his Venezuelan counterpart, Mr Carlos Andres Perez, talks would begin early next year to discuss fusion of Mercosul with the Andean Pact, comprising Venezuela, Bolivia, Colombia and Chile.

Caricom sets new deadline

THE Caribbean Economic Community (Caricom) has set a February deadline for creating a customs union with a common tariff on imports from third countries, Canute James reports from Kingston. Caricom failed to have the tariff implemented by all members by October; Belize, St Kitts, St Lucia, Antigua and Montserrat have now pledged to meet the new deadline.

Japanese car dealers warn US

JAPANESE car dealers yesterday warned they would face losses if forced by trade pressure from Washington to stock US models, which they consider unpopular among Japanese consumers, Robert Thomson writes from Tokyo.

The Japan Automobile Dealers' Association told Mr Kozo Watanabe, international trade and industry minister, that members should decide what cars to sell, and opposed suggestions they should boost stocks of US-made models. The differences over cars will be stressed early next year when President George Bush visits Tokyo with executives from the big three US makers, GM, Ford and Chrysler.

Japanese officials fear the US will ultimately want to set a target for foreign share of the car market, just as both countries have agreed a target for foreign share of the Japanese semiconductor market - at least 20 per cent by the end of next year.

Recently, top Japanese car makers have dropped clauses from their dealer contracts requiring "consultations" before a dealer could stock a rival model. But little possibility exists of dealers stocking vehicles made by a competitor of its traditional supplier, which could threaten to limit new vehicle supplies.

Tension has grown because of the still-small US share of the Japanese market, about 0.5 per cent, and Japanese makers' growing share of the US car market, about 30 per cent. The US is also irritated by the relatively small sales recorded by US car parts makers in Japan. Tokyo awaits a US Commerce Department preliminary ruling, due on December 27, on claims that Japanese car makers having been dumping mini-vans in the US.

CD groups in copyright row

JAPAN's compact disc rental industry is in dispute with US record companies over the Japanese copyright law due to come into effect on January 1, Emiko Terazono writes from Tokyo.

The copyright law will give foreign companies the right to prohibit the rental of new CDs for one year after the release date. The Japanese CD rental industry, which has grown into an annual Y80bn (£345m) business, is arguing that the industry's existence will be threatened if record companies act on their rights.

The Recording Industry Association of America and the Japan Record Rental Commerce Trade Association failed to agree at talks in Tokyo yesterday. Mr Fumio Koide, of the Japanese association, said they were asking the US record companies to delay exercising the rights for three months.

BAe wins $450m deal for new jet aircraft

By Martin Dickson in New York

BRITISH Aerospace has won its first order, worth more than \$450m (£250m), for a new derivative of its BAe 146 jet aimed specifically at US regional airlines.

The buyer is Business Express, the biggest regional airline operating in the US north-east.

Business Express said yesterday it had ordered 20 of BAe's new RJ70 aircraft. The UK company has designed the 70-passenger jet specifically for US regional carriers wanting to upgrade from turbo-prop to jet.

Deliveries will start in 1993 and the aircraft will be powered by the quiet LF507 turbofan engine, made by Connecticut-based Textron Lycoming.

The deal is the biggest for the BAe 146 family in over two years. Some 180 146s have been delivered, and this purchase will boost the order and option backlog to around 110 aircraft.

Mr Syd Gillibrand, chairman of the UK company's aerospace businesses, said it was a "breakthrough order" confirming BAe's belief that the 70-seater aircraft was a logical development for the US market. The company was looking at a number of other North American sales prospects.

Business Express serves 27 cities in the north-east US with nearly 500 daily departures, and is a partner of Delta Airlines, one of the three biggest US carriers. Mr Jim McManus, chairman, said it had chosen the BAe jet over rivals such as Canadair's RJ50, the Fokker 70 and the Saab 2000.

The aircraft only needs about 30 passengers to break even. Business Express wants to start operating a jet service before the new aircraft are delivered, therefore leasing five BAe 146-200s from the start of next March.

US engine order for Rolls-Royce

UNITED PARCELS SERVICE (UPS), the US courier company, has signalled a change in engine supplier by ordering up to \$900m (£500m) worth of engines for its Boeing 757 aircraft from Rolls-Royce, the UK aero-engine maker. Previously, UPS specified US-made Pratt & Whitney engines for the same aircraft, Daniel Green writes.

"The industry is very competitive. Rolls-Royce gave us a better deal," UPS said yesterday. Rolls is supplying RB211-535 engines for 20 Boeing 757 aircraft. UPS has taken options for another 41 aircraft, all to be powered by Rolls-Royce.

The aircraft are scheduled for delivery for 1994-1997. If all options are taken up, two-thirds of the UPS fleet will be powered by RB211 engines. UPS already operates 25 Boeing 757 aircraft.

UK NEWS

CRISIS IN HOUSING MARKET

Pressure mounts on mortgage lenders

By Ralph Atkins, David Barchard and Alison Smith

THE GOVERNMENT put pressure on Britain's top 10 home loans and savings institutions yesterday to ease the crisis in the housing market by converting mortgage interest payments of distressed house owners into rents.

The institutions – known in the UK as building societies – were given a deadline of tomorrow by Mr Norman Lamont, the chancellor of the exchequer, to come up with proposals to match the government's pledge to pay income support direct to lenders.

Ministers were not satisfied at a meeting with building societies and insurance companies that lenders had shown sufficient willingness so far to take on responsibility for the rising number of repossessions.

Mr Lamont made clear that no substantial extra public spending was likely. But the government has offered to introduce legislation so that department of social security (DSS) benefits available for mortgage interest are automatically paid direct to lenders. The meeting will resume tomorrow.

High on the agenda are schemes for converting mortgages into rents. Although these would be financed by the building societies, the government would have to find some public funds for the extra housing benefit payments which would be incurred.

The meeting was described as positive but building society executives were doubtful afterwards about how far any schemes could go in reducing an expected 85,000 mortgage repossessions next year.

"They are trying to bluff us on the proposal for the DSS to pay income support direct to the lender and they are trying to extract promises from us on schemes they have not thought through," one lender said.

Mr Mike Blackburn, chief executive of Leeds Permanent, the fifth largest society, said the government was expecting the lenders to come up in two days with a cure for a problem created over two years.

"Despite their brassed-necked attitude, I am pleased that they [the government] have at last woken up," Mr Blackburn said. He stayed away from the meeting, which was attended by leading mortgage lenders and Royal, Eagle Star and Sun Alliance – three insurance companies which specialise in mortgage guarantees.

Mr John Major, the prime minister, has asked ministers to find a package before Christmas – almost certainly explaining the tight timetable as well as betraying mounting Tory anxieties at the damaging electoral cost of a flat housing market.

The government and building societies played down the scale of the problem, saying opposition claims that as many as 300,000 homes will be repossessed next year were exaggerated. The government said more than half repossessions involved were classified as "walk away" cases, where the owner hands over the keys to a building society voluntarily – albeit in desperation.

Mr Paddy Ashdown, Liberal Democrat leader, said the government was being "timid an indecisive". Mr Bryan Gould, Labour's environment spokesman, said the meeting showed the government still lacked "a single worthwhile idea of their own which will provide a lasting solution".

Mr Peter Birch, Abbey National chief executive, told the government that he was prepared to buy up properties in severe arrears and take them on to his books. Halifax, the largest lender, is also being pragmatic and has promised to start a small pilot scheme to convert some of its customers in arrears into tenants.

● Mr Michael Heseltine, environment secretary, yesterday announced a £7.5bn housing programme for next year – in line with this year's funding. Most of the funds go to the Housing Corporation and local authorities

Editorial comment, Page 16; Lex, Page 18

Prudential quits from UTA in public row

By Norma Cohen

PRUDENTIAL, the UK's largest life insurance company, has resigned from the Unit Trust Association (UTA) in a public row which has pitted one sector of the financial services industry against another.

The resignation stems from a scathing public attack on the sales practices of the insurance business by the association, in which it echoed the public sentiments of consumer groups and the private reservations of government regulators.

Several other leading life insurers which sell unit trusts say they too are considering resigning. They include Sun Alliance, Commercial Union and Norwich Union.

Life insurance companies were responsible for roughly 30 per cent of all retail unit trust sales in 1990, and 50 of the association's 140 members are life insurance companies.

The row stems from a paper the association submitted last week in response to regulatory proposals on disclosure and what is known as "polarisation" in the sale of financial services.

Polarisation, a key element in the Securities and Investments Board's regulation of retail financial services, requires sales agents to be either "tied" and limited to selling the products of a single company or "independent" and selling a range of products.

The SIB had said in its proposals that it was considering the de-polarisation of some products such as unit trusts – a move which would allow them far greater distribution channels than currently available for life insurance and other investment products.

Mr Keith Bedell-Pierce, chief executive of Prudential Financial Services, said the group resigned from the association not because of differences on de-polarisation but because the association criticised the sales practices of insurance agents.

He said Prudential had asked the association to alter its language before submitting the paper to the SIB, a request which had been refused.

In a submission to the SIB last week responding to new proposals, the association argues that unit trust sales should be de-polarised because the product differs vastly from life insurance.

In a statement, the association said it regretted the resignation but felt the group had to represent the interests and views of the unit trust industry.

Security clampdown: armed police officers patrol Heathrow airport following yesterday's security scare

Transport chaos in London after bomb blast

THOUSANDS of London commuters faced long-delays yesterday as a bomb and telephone threat disrupted the capital's rail and underground system write Jimmy Burns, Neil Buckley, and Robert Morgan.

In the City, the Stock Exchange, which was damaged by an IRA bomb in July last year, was evacuated for two hours following a bomb warning, which included a known IRA codeword. Trading through the central computing system continued.

The bomb exploded just before 8am near Clapham Junction railway station in south London, one of the busiest stations in Europe. No one was injured. A warning from a man claiming to be from the IRA was also given that bombs were placed at all London mainland stations, forcing officials to close every main line terminus and several underground stations while searches were undertaken. Most stations were reopened by around 9am.

The IRA action forms part of a continuing bombing campaign both on the mainland and in Northern Ireland which appears to be intensifying in the run-up to Christmas.

Over the past two weeks, the IRA has carried out fire bomb attacks in north and north-west England, as well as in London. At the weekend there were firebomb attacks at a shopping centre in north London and at the National Gallery.

In a interview to be screened tonight the head of Scotland Yard's anti-terrorist branch, Commander George Churchill-Coleman, claims that the security forces are "winning the fight against the terrorists". He claims that a great deal was going on "behind the scenes" to prevent "incidents like you've seen recently taking place at all".

Wrappers come off new scheme for Hyundai cars

By John Griffiths

KOREAN-built Hyundai cars are to be delivered "shrink-wrapped" to UK dealers from the start of next year in a bid both to raise the standard of cars delivered to customers and increase dealer profitability.

The system is being adopted by Hyundai Car Distributors (UK), a wholly-owned subsidiary of the International Motors group. IMG also imports and distributes Japanese Isuzu and Subaru vehicles to the UK.

The scheme, believed to the the first of its kind, involves ending the traditional pre-delivery inspection and preparation of a car by the dealer.

Instead, cars arriving from Korea at a new preparation centre within Hyundai's UK import terminal will be de-waxed, have mechanical or body faults rectified and valeted before being sealed in polythene for delivery by transporter.

Dealers will only have to carry out a safety check. Hyundai general service manager Mr Roy Marshall said dealers will be able to employ workshop personnel on more profitable retail maintenance and repairs rather than preparing the cars for sale.

The scheme is seen as also helping Hyundai expand its UK sales next year. Models are sold primarily on their relative cheapness compared with equivalent European or Japanese models.

Company insolvencies to 'rise by 17% next year'

By Andrew Jack

THE NUMBER of insolvencies will rise by nearly 17 per cent to 70,000 next year in further evidence of the prolonged effects of the recession, according to projections released yesterday by Cork Gully, the insolvency arm of Coopers & Lybrand Deloitte.

The rate of growth in insolvencies will decline to 16.75 per cent in 1992 from a peak of about 60 per cent over the past two years. However, the total number will continue to rise to 70,363, the firm's 1991 annual review concludes. It estimates that there will be 60,623 insolvencies for the current year, compared with 37,831 during 1990. The figures are roughly evenly split between companies and individuals.

There has always been a lag between the end of the recession and the decline in insolvencies, partly caused by the reluctance of lenders to grant credit during recovery.

Cork Gully has seen the number of receiverships and administrations rise by 50 per cent in the ten months to 31 October, with similar increases among the other major insolvency practices.

It said the record number of failures was fuelled by both the recession and the end of the credit expansion which characterised the 1980s.

It supports a series of changes in current insolvency practice, including the abolition of all preferential claims among creditors.

BRITAIN IN BRIEF

BT loses test case over wrist injuries

BT has been ordered to pay damages and costs to two former keyboard operators who suffered Repetitive Strain Injury (RSI) in a test case which could have widespread consequences throughout British industry.

The two women, who keyed in data at high speed for invoices, accounts and telephone bills, worked for BT between 1979 and 1984. They were awarded £6,000 damages each for pain and suffering, plus £660 in interest. The court has yet to decide how much should be paid out to the women in compensation for loss of earnings. BT was ordered to pay the costs of the case, estimated at about £100,000.

RSI, which predominantly affects arms and hands and can cause severe pain and disablement, used to be associated mainly with manufacturing jobs. However, it is now being increasingly linked to keyboard work. Journalists at the Financial Times are considering industrial action after the paper's management proposed retiring nine RSI-sufferers compulsorily on health grounds.

Funding boost for research

An increase in the UK science budget will allow a range of new research projects to go ahead over the next three years, according to the government.

Their subjects include genetic and neurological diseases, the chemical language by which animal and plant cells communicate with each other, and the natural processes which transport materials between oceans, land and the atmosphere.

Mr Kenneth Clarke, education and science secretary, announced that the government had accepted the advice of its Advisory Board for the Research Councils on dividing up the science budget, which is to rise from £927m in 1991/2 to £1.05bn in 1992/3 and £1.27bn in 1994/5.

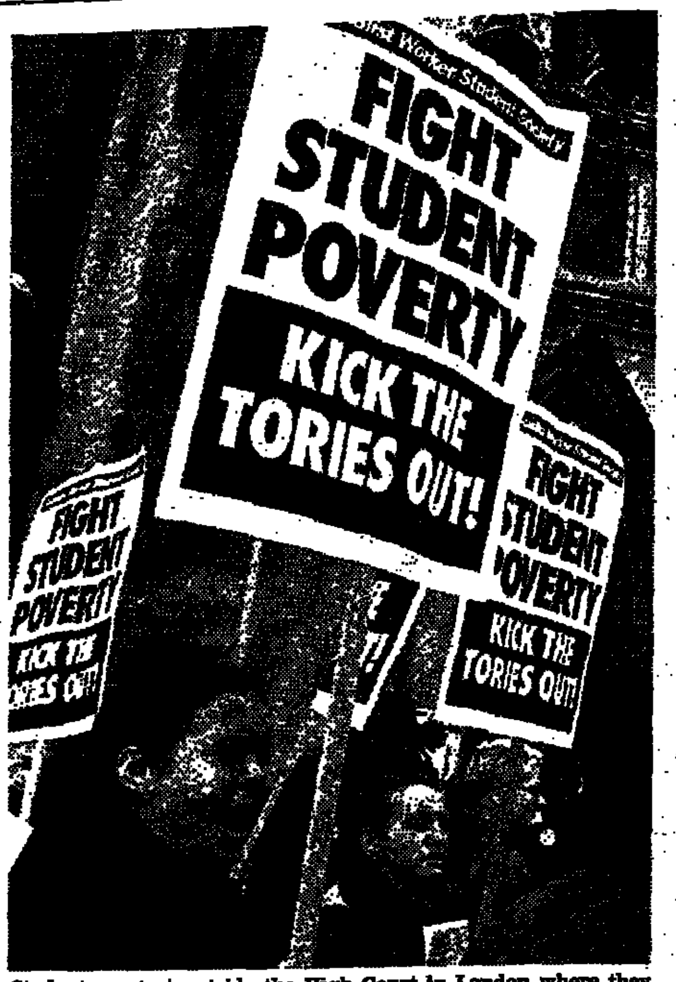
Upjohn appeal

Upjohn of the US has said it plans to appeal against a recommendation by the Committee on Safety of Medicines to revoke the product licence for its Halcion, the world's most widely prescribed drug for sleeping disorders.

Liberals back school reform

The centrist Liberal Democrats have backed the government's controversial campaign to encourage schools to "opt out" of local authority control, on condition that responsibility for funding and regulating opted-out schools was shifted from central to local government.

In a policy statement on the future of local education authorities (Leas), Mr Matthew Taylor, the party's education spokesman, said: "our aim is to enable all schools to enjoy the freedoms of those who have opted out." Opted-out schools have full control over their budgets and staffing, but their funding is fixed by the education department.



Students protest outside the High Court in London where they were taking legal action over the alleged freezing of government grants and staffing cuts at universities and colleges

Doctors face higher costs

Family doctors and dentists in the UK face steep increases in the cost of cover from the two main medical defence bodies against damages claims.

The Medical Defence Union announced that its Class 1 subscription rate for general practitioners (GPs) will increase from £960 to £1,095 in January – a rise of 14 per cent. The Medical Protection Society has already announced a 15 per cent increase, from £930 to £1,065.

The MDU reports a "significant increase" in claims against its GP members: the number of new files opened has increased by over 50 per cent.

Bidder for privatised port

Powell Duffryn, the distribution, engineering and construction materials group, last night emerged as the recommended bidder for the port of Tees & Hartlepool, the first of Britain's trust ports to be privatised.

The decision means defeat for the management/employee consortium and two other companies which had vied for control of Britain's second busiest cargo port.

The Department of Transport said Mr Malcolm Rifkind was minded to accept the port authority's recommendation, but could not give his final assent until parliament had passed an order providing for the government to claw back a portion of any property profits.

Greenwich sued over software

The London Borough of Greenwich is the latest UK organisation and the first local authority to be sued for allegedly stealing computer software by copying programs illegally.

Two leading US software companies, Lotus Development Corporation and Xtree, have issued a writ in the most recent move in a worldwide campaign aimed at eliminating illegal practices said to be costing software companies $12bn annually. Lotus markets the best-selling 1-2-3 spreadsheet program; Xtree a series of utilities for managing computer files.

The Business Software Alliance (BSA) and the Federation Against Software Theft (FAST), acting on behalf of the two software suppliers, said seven offices occupied by Greenwich's Housing Directorate were searched on court orders earlier this month. Some 35 personal computers were inspected and, BSA and FAST say, "copied software was found on virtually every one".

Building plan for Stansted

Countryside Properties has been granted planning permission to build 2,000 new homes and a 400,000 sq ft business park on 450 acres at Braintree in Essex, close to Stansted Airport, London's third airport. The scheme will represent one of the largest developments ever to be undertaken by Countryside.

Workers face pay freeze

Up to 10,000 workers employed by foundry companies and appliance manufacturers face 12-month pay freezes or low rises after the National Metal Trades Federation proposed a standstill in the "minimum time rate" for employees until the end of next year.

Minimum time rates are the lowest that can be paid by members of the NMTF. They are traditionally used by companies and unions as a benchmark for rises that are negotiated at company level. They also have an effect on overtime pay.

Recession hits NAO move

Plans by the National Audit Office (NAO), the public spending watchdog, to transfer a large number of its staff to new regional offices have been delayed for at least two years because of the property slump.

Sir John Bourn, controller and auditor general, had drawn up plans for financing a new building in Leeds from the disposal of a third of the NAO's London premises. However the Public Accounts Commission delayed the plan after it concluded the London premises would not raise as much as originally envisaged.

Industry finds no glad tidings in economy

After a tough year signs of an upturn are still eluding business, writes Peter Marsh

FROM plastic bags to printing and from building to bingo, UK industry is looking hard for the economic upturn, but so far has failed to spot it.

While some parts of the advertising sector and road-haulage sectors can see glimmers of light on the horizon, representatives of other large industries believe the recovery is unlikely to occur until the spring at the earliest.

This finding is likely to embarrass Mr Norman Lamont, the chancellor of the exchequer, who has repeatedly promised an imminent end to the recession. In April, he said recovery was "round the corner". Detailed soundings from industry indicate that the firm orders which many expected to follow the greater business optimism of the early autumn have, in many cases, failed to materialise.

Companies in several sectors in which sales patterns give an early warning of economic changes report little sign of a take-off in demand.

Such industries include chemicals, printing, engineering components, distribution and packaging. They sell to a broad range of customers, and in previous recessions have received advance orders well before the recovery occurs. In housing and construction, key industries on which many other sectors depend, demand remains stagnant.

At specialist engineering company TI, Mr Michael Garner, finance director, said: "Order books are still depressed and it is difficult to see an end in sight [to the UK recession]." The company sells to industries including food processing, vehicles, energy, and petrochemicals.

Mr Gordon Senior, finance director at speciality-chemicals maker Allied Colloids, said: "We are emerging from recession more slowly than the politicians would have us believe." Allied Colloids' customers include companies in water treatment, packaging, paints and plastics.

The picture is similar for the £8bn-a-year printing sector, which relies for orders on industries including advertising and consumer products. Ms Daphne Connelly, economic adviser at the British Printing Industries Federation, said: "Many of our members think 1992 will be a re-run of 1991."

There is a slightly brighter outlook in some parts of the advertising sector. The Advertising Association, the main trade body for the £9bn-a-year industry, reports that revenues from TV advertising are likely to show a 1-2 per cent increase in real terms in the fourth quarter, compared with the same period in 1991. That would be the first quarter-on-quarter upturn since last year.

TV advertising is regarded as a good lead indicator of changes in the economy, as it reflects the views about demand by makers of many types of fast-moving consumer goods. According to Mr Michael Waterson, research adviser at the association, other types of advertising such as display and recruitment are likely to pick up later in the cycle, probably by mid-1992.

Road transport users, however, appear to be showing less optimism after a brief spurt of confidence in the autumn. The Freight Transport Association, which represents 13,000 companies including large manufacturers such as Shell, J. Sainsbury and ICI as well as smaller distributors, says the picture is mixed but that "confidence in the past few weeks has been dented".

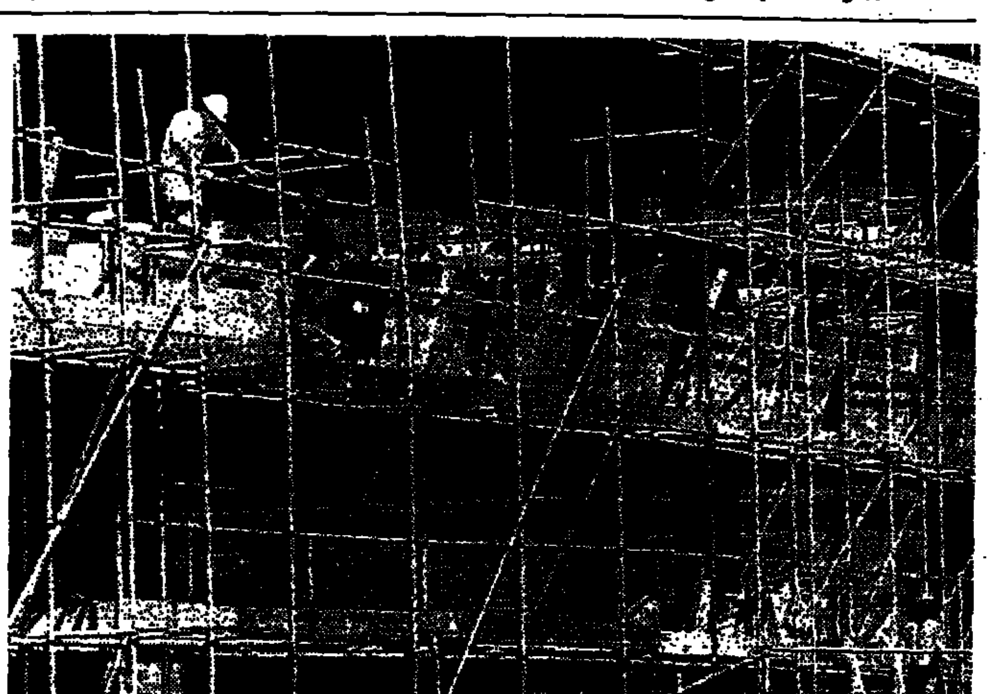
PARCELINE, a big distributor of packages on behalf of retailers has over the past few weeks delivered about 85,000 parcels a night, 10,000 down on what it was expecting in what is normally a busy period just before Christmas. Mr Robin Davies, marketing director, said: "I think the next few months will be flat, and we won't see any upturn for six months at the earliest."

Mr Cameron McLatchie, chairman of British Polythene Industries, a maker of polythene bags and other packaging materials, says that demand from many of his customers in areas such as building, agriculture and manufacturing is "abysmal", even though retailers are still buying in large volumes. The British Plastics Federation, which represents a £10bn-a-year plastics sector selling in areas such as packaging, vehicles and consumer goods, said: "We are getting no optimistic reports".

There are few signs of life in the housing market, according to Mr Gary Styles, senior economist at Halifax Building Society, while at Building Design Partnership, one of Britain's biggest architectural practices, the mood is bleak. "I can't see anything which indicates we have even yet touched the bottom," says Mr Christopher Ratcliff, a partner.

The gloom demand has even spilled over into bingo parlours, largely untouched by previous recessions.

Mr Michael Gilligan, joint managing director of Gala Clubs, which is owned by Bass and is one of the country's two biggest bingo groups, said admissions to his company's 170 bingo halls have in the past two months increased by 4 per cent compared with the same period last year, instead of the 10 per cent that would be considered normal in the traditionally booming autumn period for his industry.



There are few signs of an upturn in the UK construction industry

But if most industries appear down, Mr Lamont can gain some hope from the market for Christmas trees.

Mr Tony Richardson, secretary of the British Christmas Tree Growers' Association, said retailers had expressed strong interest in the products, and had bought from UK growers and importers about 5.5m trees, roughly the same as in 1990. "We believe that demand for Christmas trees is still strong, whatever the state of the economy."

Lex, Page 18

Bill Coleman, talented amateur photographer and investment banker with an environmental focus.

Bill Coleman believes the environment is a sound investment.

Bill Coleman is not an ecologist, he's a banker.

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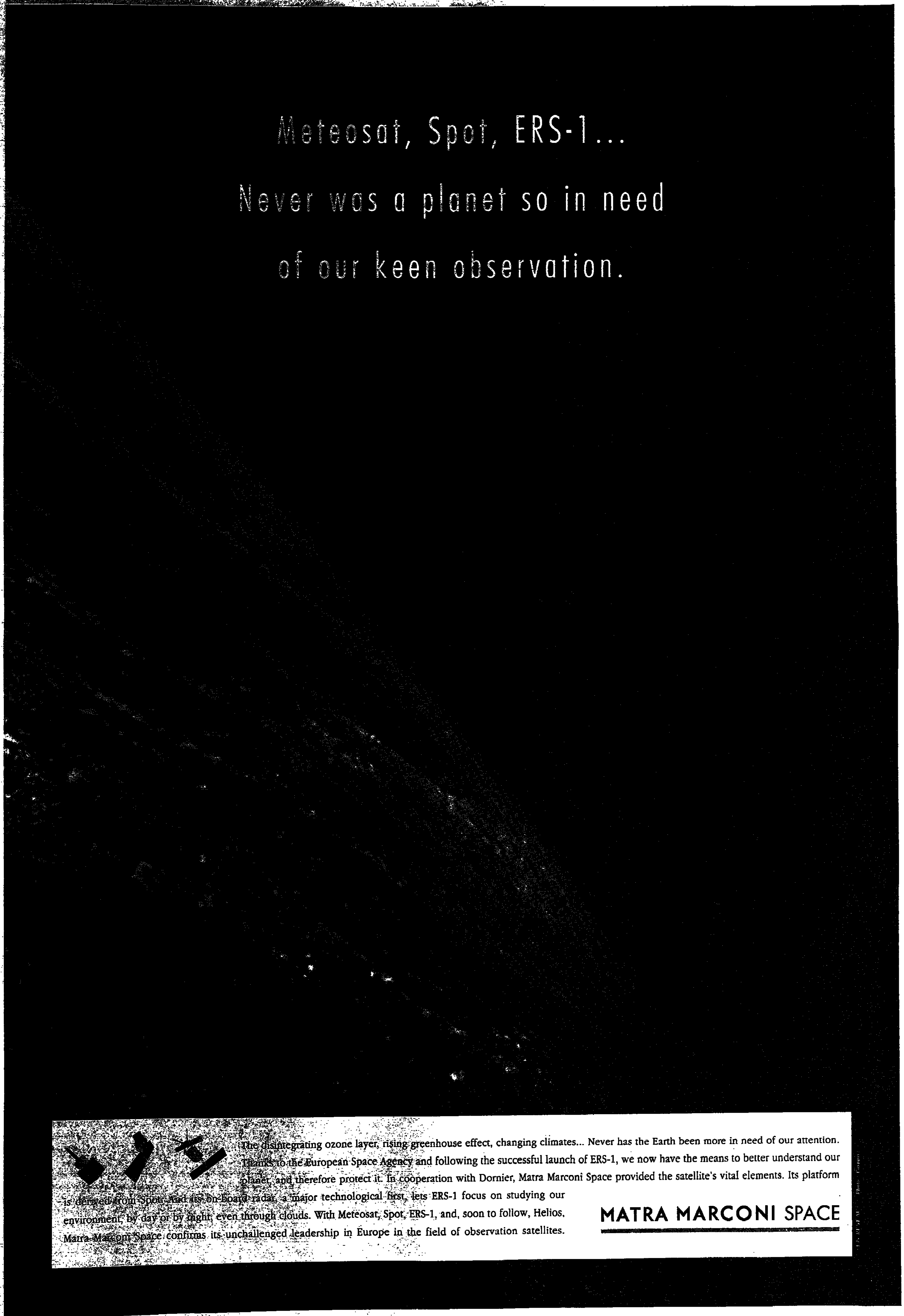
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Never was a planet so in need
of our keen observation.
The disintegrating ozone layer, rising greenhouse effect, changing climates... Never has the Earth been more in need of our attention. Thanks to the European Space Agency and following the successful launch of ERS-1, we now have the means to better understand our planet, and therefore protect it. In cooperation with Dornier, Matra Marconi Space provided the satellite's vital elements. Its platform is derived from Spot. And its on-board radar, a major technological first, lets ERS-1 focus on studying our environment, by day or by night, even through clouds. With Meteosat, Spot, ERS-1, and, soon to follow, Helios, Matra Marconi Space confirms its unchallenged leadership in Europe in the field of observation satellites.
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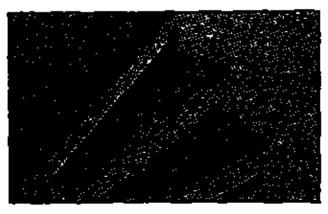

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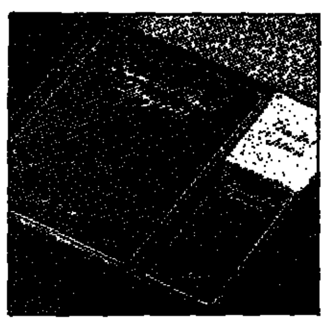

For those wanting the ultimate in quality and craftmanship, there's the **FT Chairman's Set.** Comprising a matching desk and pocket diary, it is bound in rich brown leather with fine gold tooling on the cover and comes complete in its own presentation box.

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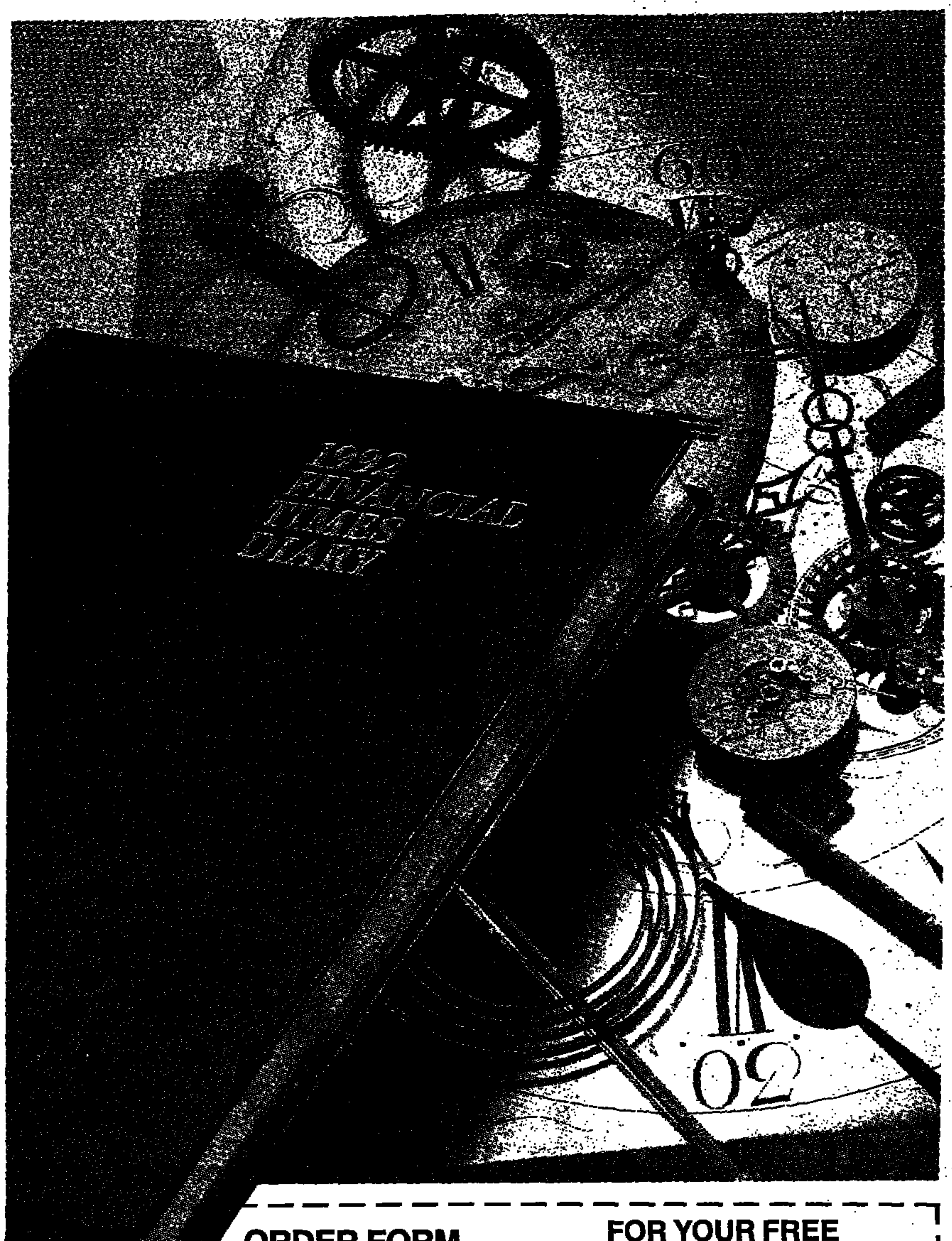

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Burgundy (to fit PB)	WB		25.32		21.80		21.70		22.15	
Black (to fit PP)	WP		27.91		24 05		23.90		24 40	
PERSONAL ORGANISERS										
Personal Organiser, black leather	POL		48.00		43 10		41.90		44.90	
Personal Organiser, burgundy leather	POB		48 00		43.10		41.90		44.90	
PERSONALISATION										
Initials only (up to 4 characters)	I		2.47		2.10		2.10		2 10	
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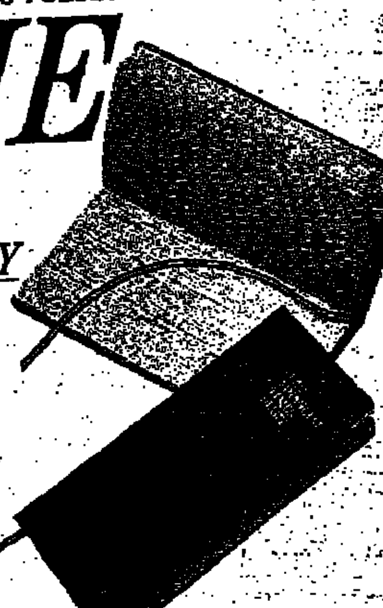

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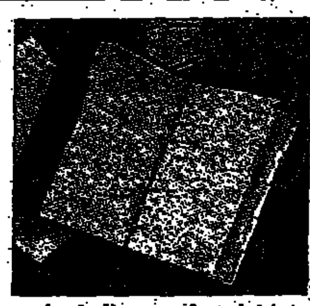

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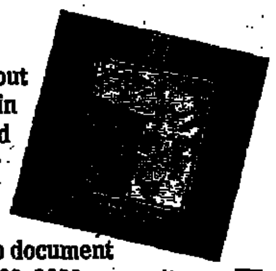

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A FINANCIAL TIMES SERIES: Part 12

EUROPEAN FINANCE AND INVESTMENT

SWITZERLAND

Outlook fair but uncertain

Interim reports from the big Swiss banks which indicate a recovery in operating earnings this year have given heart to the financial community. However, there is room for caution as doubts about Swiss competitiveness remain. William Dullforce reports

THE SWISS financial and investment barometer at the end of 1991 is set on variable; a mixture of sun and cloud prevails while the longer term outlook is fair but by no means certain.

Interim reports from the big Swiss banks have signalled a strong recovery in operating earnings from last year's unexpected profit setback. The recovery may reach record levels. Margins have improved, particularly on foreign lending; the switch by investors and savers to safe and high quality placements after the speculation of the 1980s has benefited the Swiss. The BCCI and Maxwell disasters have not carved troughs in Switzerland.

The banks have warned that net earnings will be affected by substantial debt provisions, mostly to cover risks on mortgage lending which have been compounded by steep falls in property values.

Switzerland has experienced its own financial scandal in the collapse of Mr Werner Rey's Omni company, the repercussions of which have proved to be more extensive than expected. A small cantonal bank is in its death throes and the viability of several regional banks is at stake. Grist has been added to the mill of those who have been forecasting the disappearance through takeover or merger of a 100 or so of the 630 banking establishments in Switzerland.

More in the international limelight has been the announcement by Moody's, the credit-rating agency, that it was placing Credit Suisse on its watch list for possible downgrading from its triple-A ranking. If, against Swiss expectations, this should happen, it would be regarded as confirmation of the deterioration in competitiveness of the Swiss financial centre. The triple-A status of the Big Three – Union Bank of Switzerland (UBS) and Swiss Bank Corporation (SBC) are the other two – is the hallmark of the quality of Swiss financial services.

Doubts about Swiss competitiveness have been sustained this year by assessments showing that an increasingly large proportion of trading in the shares of leading Swiss companies is being conducted in London. The volume of participation certificates of Nestlé, the foods group which has the largest market capitalisation among Swiss companies, traded in London during the first 10 months of the year was almost equal to that traded on the Swiss bourses. The volume of trading in Nestlé registered shares in London reached 74 per cent of the Swiss volume over the same period.

In the political and broader economic sphere the mood in Swiss financial circles is one of concern and uncertainty about the future. Two national referenda which will have a significant impact on Swiss financial prospects are scheduled for the end of next year.

The first will determine Switzerland's future relationship with the European Community. Voters will approve or reject the agreement to form a European Economic Area (EEA) reached by the EC and the European Free Trade Association (Efta), of which Switzerland is a member. A majority among the 23 cantons is required as well as a majority of those voting. However, the cantonal majority is doubtful.

Bankers back the EEA as a stepping stone to full Swiss EC membership but are upset by the Community's refusal to allow the Efta countries to participate in the consultative committee on banking which elaborates EC banking directives.

At stake in the second referendum will be the federal stamp duty on securities transactions which has been the principal target of attack by the Swiss financial community for the past few years. Victory appeared to be in sight when the federal parliament this year approved a partial revision of the charges but the Social Democrat party, backed by environmentalists, decided to force a referendum on the parliamentary decision.

Stamp taxes not only penalise transactions in securities done on behalf of foreigners in Switzerland; they have hindered the development of Swiss short-term financial markets and severely curbed secondary trading in bonds. If the electorate agrees, revision of the stamp duty could be effective from the beginning of 1993 and open the way for the market making in shares which is still lacking on Swiss stock exchanges.

The referendum on the stamp duty will test the bankers' ability to put across a case which in the context of international competition is incontrovertible. They are not in a very favourable position. The increases in mortgage rates and by extension in housing rents which they have imposed over the last two years have not increased their popularity.

If they were to announce record 1991 profits next spring without any lowering of mortgage rates, they could find themselves fighting an uphill campaign to convince voters that a partial scrapping of stamp charges is necessary. If they lost, the bigger banks would simply do more business abroad, but even the pragmatic Swiss voter may not be in a mood to bow to such a threat.

In fact, the banks face a real financing problem. The days when they could count on acquiring cheap deposits from docile savers and could even charge negative interest on deposits by foreigners are past. One effect of the deregulation in international banking in the 1980s has been to make Swiss savers more sophisticated about the return on their placements, while foreign investors no longer see a Swiss franc deposit as a sure hedge against exchange rate risks and inflation. The big banks have managed to improve margins this year mainly by increasing lending abroad.

Domestic inflation and high interest rates are another cause for unease. Consumer prices have doggedly pursued an unexpectedly high growth trend by Swiss standards for most of the year and Mr Marcus Lusser, president of the Swiss National Bank (SNB), did not improve investors' confidence when he announced in late October that he did not foresee any rapid decline in interest rates. In early November the average yield on Swiss government bonds hit a high of 6.83 per cent.

Mr Lusser aggravated the situation by giving a tongue-lashing to the federal government, the cantonal authorities and the publicly-owned corporations whose increased spending and price hiking, he said, was hampering the SNB's efforts to tame inflation. The message read by financial markets was that inflation was alive and kicking.

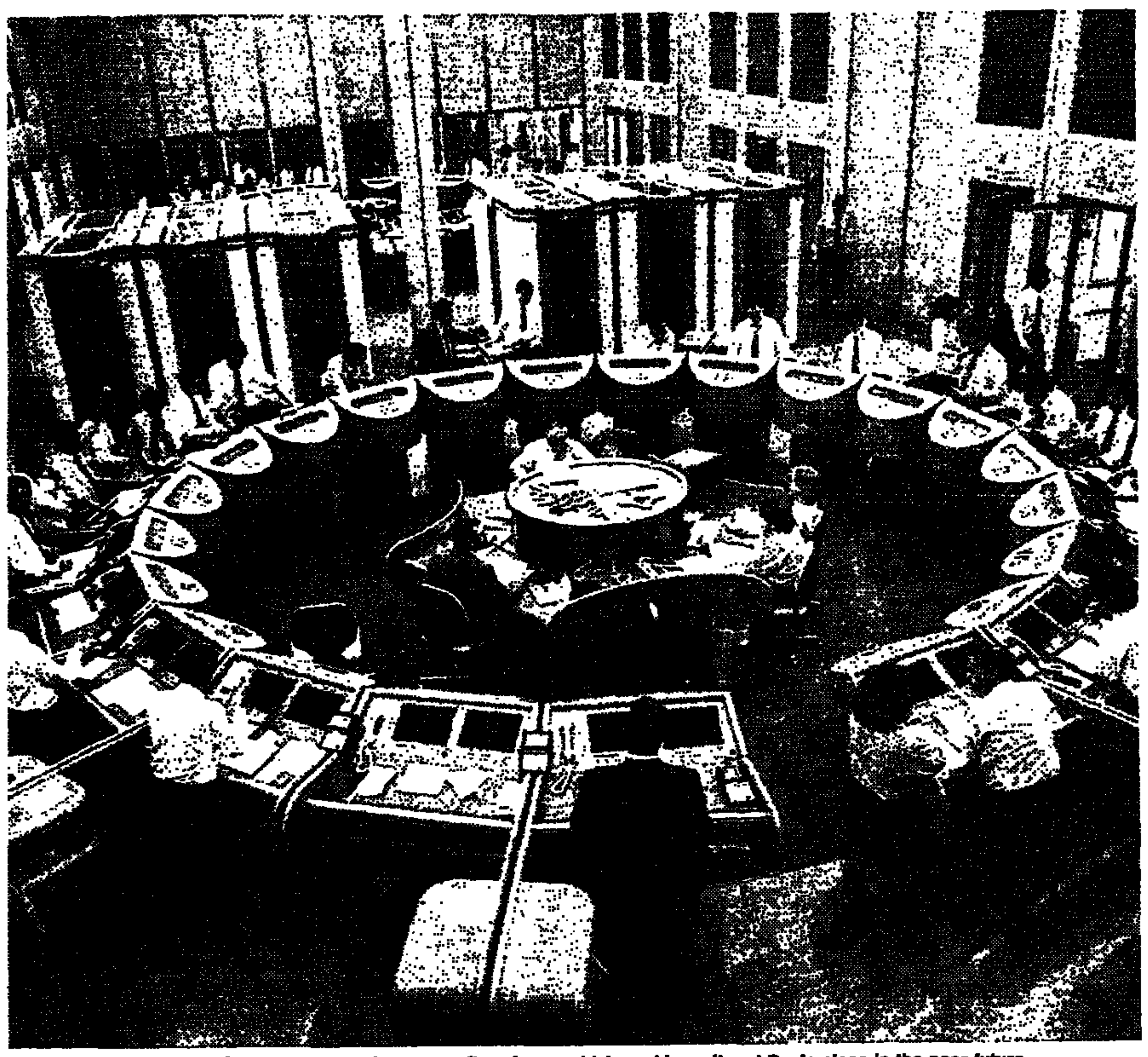
After a 20 per cent increase in the general index in the early part of the year, up to April, a sense of gloom has prevailed on the Swiss stock exchanges and reforms aimed at making the securities market more attractive were hanging fire. At the end of November, quarrels between the bourses and Arthur Andersen, managing consultant, and between the bourses over the project for a national electronic stock exchange were patched up and a more ambitious plan that would cover trading in shares as well as in bonds at an early stage put in place.

Costs have quadrupled from the SFr30m of the initial project but the Swiss appear to be embarked on a unique, pioneering effort that could give them an edge in international competition as well as providing dealers with a more cost effective and efficient trading place for domestic stocks.

The attempt to remodel the securities market recalls the successful struggle of the Swiss in the early 1980s to rescue their watch making industry when it was besieged by the Japanese. After a long investigation the Swiss banks backed Mr Nicolas Hayek, an engineering consultant, who put together a team of innovative engineers and marketing specialists that produced the Swatch, the cheap plastic watch, and put the Swiss back on top.

The banks are using their financial muscle to renovate the stock exchanges although they still have to pick a leader. In addition, a new federal stock exchange law and a revision of the companies' law are in the pipeline. In spite of resistance from traditionalists they should end up providing a better deal for shareholders in both regulatory controls and corporate disclosure.

The longer term outlook is not devoid of bright patches. It is a habit of the Swiss initially to resist change but then to adapt pragmatically and efficiently.



Squaring the circle: the Geneva stock exchange awaits reforms which could see it and Basle close in the near future

■SECURITIES MARKETS: the price of high rates

This difficult year

IT HAS been a difficult year for most participants in Swiss securities markets.

Extraordinarily high interest rates have dampened interest in both stocks and bonds, and put extra pressure on banks' brokerage and dealing operations just as their fixed commission structure was abolished.

Meanwhile, the flow of Japanese convertible debt issues, which contributed so much to the Swiss primary market in the late 1980s, has remained at a very low level because of the depressed Japanese stock market.

In the absence of significant reform of securities taxation or of the Swiss stock markets, the tendency of trading activity to move to London continued to gain pace. According to one stock exchange official, perhaps a quarter of all trading in the 12 leading Swiss equities is done in London.

Apart from a post Gulf war increase in February, March and April, activity on Swiss stock exchanges has been low this year. Turnover on the Zurich stock exchange, which accounts for about 70 per cent of the national total, will probably end up at about the same level as last year's SFr518.5bn, which was some 20 per cent down from the 1989 level.

The Swiss bond market has long suffered from being small. The aggregate value of outstanding issues is only about SFr285bn and the total of new issues so far this year is only SFr44bn, of which SFr27.6bn are foreign, and SFr9.7bn are equity linked. The Swiss federal government has always been a modest borrower, with only SFr11.2bn principal outstanding at the end of 1990.

The market is also illiquid. Swiss portfolio managers have tended to buy for the long term, and the notorious stamp duty on all transactions is a strong disincentive to those who would trade actively.

Market makers point out that it is impossible to quote small spreads on bonds when a stamp duty exits. As a result, more and more trading is moving to London, especially on large blocks, and most others are done privately.

"The bond prices you see on the Zurich stock exchange often give a wrong impression," one bank dealer says.

Now that securities dealers are becoming more interested in marketing derivative products on bonds, efforts are being made to improve the liquidity of the Swiss franc bond market. Swiss Bank Corporation brought out three of what it calls benchmark issues earlier this year, starting with a SFr600m 10-year 7 per cent issue for the World Bank in January. A large portion of the issues was placed with investors outside Switzerland, and secondary market trading was arranged in London as well as in domestic markets. The prospect of additional tranches of these issues being added later has been raised.

With the Swiss government planning a fairly large budget deficit next year, banks are encouraging the Ministry of Finance to make benchmark-type issues next year. But some dealers are sceptical that this will make much difference.

In the equity markets, while it has been quiet on the trading floors, there has been a good deal of upheaval behind the scenes. The first part of Switzerland's big bang – the removal of fixed commissions – took effect at the beginning of the year. Coincidentally, four of the country's seven stock exchanges closed their doors at the end of last year, and the pressure is intensifying for further consolidation. Two weeks ago, Swiss Volksbank announced it would withdraw from the Geneva and Basle stock exchanges by the end of next year.

Banks claim that following the abolition of fixed commissions last year the competition for institutional business has become brutal, with rates not coming anywhere near covering costs. Big bank officials are convinced that this will force a number of smaller banks out of the brokerage business fairly quickly. There has been a shake-out among stock exchange members. In Zurich, the number of members has dropped from 29 in 1989 to only 24.

As in the bond market, business continues to be hurt by the presence of the stamp duty – which is larger than commission income on some trades – and many large transactions in the leading shares are being done in London. One bank dealer says that the lead in pricing most top Swiss shares comes from London, with the Swiss exchanges following. And for the past few months, London has not been providing any lead.

Stock exchange officials and banks are urgently considering the second part of their big bang – the creation of a unified national electronic exchange. They set out two years ago to design a SFr30m system mainly for bond trading, with the intention of expanding it to equities later. The project did not go well, and there is a drive to start over again on a comprehensive plan that would include equities from the start.

Such a scheme would enable the Basle and Geneva exchanges to close in the near future with dignity and would possibly help the Swiss stock market as a whole regain some of the initiative in Swiss equities from London. But the figures being mentioned to develop the system range around SFr100m. This is particularly frightening to many of the smaller Zurich stock exchange members, who are investing heavily in offices at their new stock exchange building, which is to open next July.

One lower cost alternative being considered is to graft share trading on to the highly efficient Soffex futures and options computer system.

A decision must be made in the next few weeks if the team of experts from Andersen Consulting is to be kept intact.

Ian Rodger

CORRECTION
Echo Netting, the global foreign exchange clearing house project, has decided in principle to base its system on the Accord confirmation matching service operated by S.W.I.F.T., the bank-owned telecommunications network, and Trademaster, the treasury management system marketed and supported by Logica. In the FT survey on Computers in Finance on November 12 it was wrongly stated that the S.W.I.F.T. Accord system had been rejected.

FUTURES & OPTIONS

Successful Soffex

WHILE Swiss stock exchange officials wring their hands about the difficulty of agreeing on how to create a central electronic exchange, the model for the solution to their dilemma, Soffex, is immediately to hand.

Soffex, the Swiss Options and Futures Financial Exchange, is a runaway success story after only three years of operation.

The leading Swiss banks knew from the early 1980s that they needed a futures and options exchange, but none of the then seven stock exchanges in the country was big enough to support one. The obvious answer was to set up a single electronic system, but the likelihood of all the exchanges agreeing on its design and operating policies was remote, so a separate corporation was established with a clear mandate and a budget to carry it out.

Soffex opened in May 1988, trading options on 11 leading shares, raised to 12, representing more than a quarter of the Swiss stock market capitalisation. Trading was done from the start through a SFr60m bespoke electronic system that not only handled trading but also transaction processing, enabling next day clearing.

Apart from one large crash in June 1989, when the system was down for three days, the computer has proved very reliable. The past two years have been without a single incident, and the company last year won the Computerworld Smithsonian Award for the innovative use and further development of communication technology. Soffex has sold its system to the Deutsche Termin Börse (DTB) and hopes to win other customers.

The system has had a good influence on the Swiss stock exchanges, notably in the sensitive area of transparency. From the start, Soffex insisted that every transaction had to go through the computers, enabling the system to publish details of it, as well as to compile accurate volume figures. It made the exchanges extend their hours and provide permanent trading in the large capital shares that underlie the option products.

By any measure, activity on Soffex has grown very rapidly. Last year, for example, 5.6m call option contracts were traded and 3.4m put contracts. The aggregate capitalisation of both was SFr66.5bn.

Late last year, trading in futures on the Swiss Market Index (SMI) of 22 leading shares began, and this year the exchange introduced futures on three-month Euro Swiss franc interest rates and on a synthetic medium-term bond based on five-year swap rates. Other new products are under consideration.

Mr Ernst Mollet of Swiss Bank Corporation, who is president of Soffex, says about one-tenth of Swiss fund managers are using options and futures compared with 15 per cent in the US.

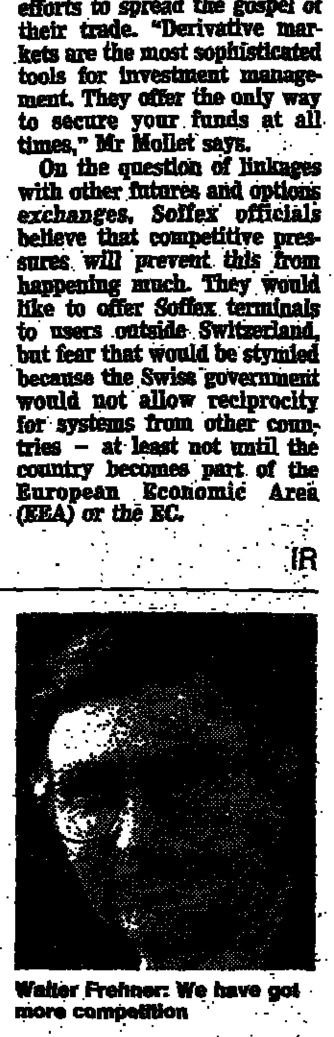
Soffex officials, like those at other futures and options exchanges, make considerable efforts to spread the gospel of their trade. "Derivative markets are the most sophisticated tools for investment management. They offer the only way to secure your funds at all times," Mr Mollet says.

On the question of linkages with other futures and options exchanges, Soffex officials believe that competitive pressures will prevent this from happening much. They would like to offer Soffex terminals to users outside Switzerland, but fear that would be stymied because the Swiss government would not allow reciprocity for systems from other countries – at least not until the country becomes part of the European Economic Area (EEA) or the EC.

IR

■PROFILE: Walter Frehner

Banking on trust



Walter Frehner: We have got more competition

MR Walter Frehner, president of the executive board of Swiss Bank Corporation, believes that Switzerland will maintain its reputation as a safe haven for capital in spite of its high rate of inflation and the wavering value of the Swiss franc.

"Traditionally, only a fraction of the capital entrusted to Swiss banks is invested in Swiss francs. The bulk is in US dollars, sterling and D-Marks. What people are looking for is a bank they can trust, where they can get good service.

"Certainly, we have got more competition, and so we have to do whatever is necessary to become even more competitive, with better portfolio management, for example, using more sophisticated instruments. But we still think it would be difficult for a private individual with, say SFr1m, to get the same all-embracing service in other European countries that he can get here."

In the past two years, most of the cartel arrangements that the Swiss banks erected in their home market – especially the lucrative one providing for fixed commissions on stock brokerage – have been dismantled. It has been suggested that this will weaken the competitive position of the big Swiss banks.

Mr Frehner believes that the elimination of fixed brokerage commissions will strengthen the big banks, because smaller ones will find it increasingly difficult to compete in brokerage. Moreover, higher commissions on small transactions will mean that individuals will tend to invest more in bank sponsored and managed unit trusts. "So we can keep the flow of money inside the bank more than before," he says.

He believes the trends of disintermediation and securitisation, that characterised the 1980s, will continue, but at a lesser pace. "The big shifts have taken place. We do not see any more movements away from banks, and some customers are coming back looking for more traditional products.

SBC has been criticised in the past for being less committed to capital markets than its two big Swiss rivals, Union Bank of Switzerland and Credit Suisse, but in the past year it has transformed its stance with a management reorganisation and an alliance made last year with the Chicago options house, O'Connor Partners.

The bank maintains its headquarters and manages its Swiss business in Basle but has shifted its international management to Zurich. "We have improved our position in the league tables and have become the most innovative bank in the Swiss franc markets, thanks partly to O'Connor," Mr Frehner claims.

SBC was the first of the big Swiss banks to appoint a non-Swiss to its board, and Mr Frehner says the group's policy is to "take the best people from the group", regardless of nationality, provided, for some time to come at least, that they are fluent in German.

Mr Frehner is cautious about the outlook for the bank. Cash flow has been strong this year, reflecting increasing success in many markets. But profits are being hurt by big provisions for bad loans, including the bank's highly publicised $58m loan to one of the private companies controlled by Mr Robert Maxwell. "We are appalled by the way we were treated in a transaction which was on a fully secured basis and prepared with all due diligence," he says.

Mr Frehner says the bank has already implemented a policy to scrutinise more carefully its exposure "to groups that depend largely on one person or small groups of persons". If a group is run by a tycoon, with a complicated and fast changing group structure, these things will be taken much more as signs of alarm than before.

"We think next year can be equally good on the operating side. We have some interesting opportunities – the whole derivatives business is just starting. We will again have to make provisions next year because the economic environment is not improving, but they will not be so large as this year, and that should be the end of them.

IR

■REGIONAL BANKS: under pressure as commission acts

Squeezed on two sides

THE Swiss banking community got a terrible shock on October 4 when the Federal Banking Commission closed Spar und Leihkasse Thun, a medium-sized regional bank, near Berne.

It was the first time that the federal supervisory body had closed such a well-known bank, raising questions about the stability of other Swiss banks at a time when interest rates are unusually high.

Certainly, the country's 185 regional banks have been hit harder than most. They, after all, together with the cantonal banks, are the specialists in mortgages.

More than 70 per cent of their SFr88.2bn in assets at June 30, 1991 were in mortgage backed loans.

They finance their mortgages mainly through individual savings deposits, which account for more than a quarter of their liabilities.

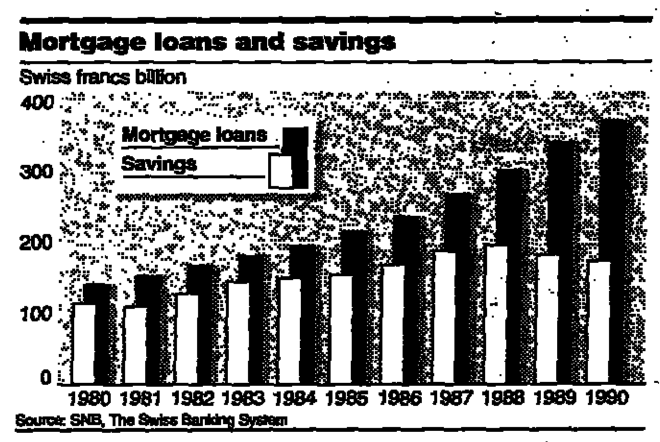
In the past decade, they have been squeezed on both sides of this business. On the one hand, the big banks have piled into the mortgage business, forcing price cutting all round. The regional banks saw their share of the total mortgages outstanding fall from 38.9 per cent in 1980 to 33.7 per cent in 1989, while the five big banks raised their share from 33.1 per cent to to 39 per cent over the same period.

On the other side, their customers, like bank customers everywhere, became more sophisticated, and began shifting their savings from low yielding accounts in the regional banks to other instruments. This trend has become particularly pronounced in the past two years when market interest rates have been extremely high. Indeed, the share of the regional banks' liabilities occupied by savings accounts tumbled from 57 per cent in 1980 to 35 per cent last year.

Everyone knew that many of the regional banks were very small – three quarters of them have assets of less than SFr500m – so it was not surprising that one of them got into difficulty. And it seems that the Thun bank, which had total assets of SFr1.1bn at the end of 1990, had been particularly imprudent in its property related lending.

Mortgage loans and savings

Swiss francs billion



Source: SNB, The Swiss Banking System

Still, the Association of Swiss Regional Banks was not very happy about the authorities' swoop on the Thun bank or the uncertainty that followed. Some people say it would have been better if the authorities had increased the pressure gradually on the bank to put its affairs in order rather than closing it without warning.

In the immediate aftermath of the closure, the association carried out an investigation of its members and found only four others that had serious problems. But it believes that all can be managed through mergers or special assistance.

The association has decided to take a more active stance in promoting mergers and other forms of restructuring of the sector.

"It is clear that the structure of the banking industry in Switzerland must change, and our union will be very active in promoting it," the association says.

Meanwhile, what about the poor Thun depositors? There is no doubt that the bank will go into liquidation, but the details remain to be worked out. The banking industry as a whole lifted its protection for depositors in 1984, setting up a scheme to provide up to SFr30,000 for each savings depositor (regardless of how many savings accounts he holds) in a given bank.

IR

■THE BIG THREE: hanging on to their triple-A ratings but . . .

This is no time to gloat

IF THE leaders of Switzerland's three big banks were not so instinctively driven to look for things to worry about, they might pause for a moment to gloat.

As they survey the banking world from their modest offices in Basle and Zurich, they can see scandal and ruin everywhere. Some of the biggest names in banking – in Japan, America and Europe – have been humbled by the consequences of their imprudent behaviour in the heady days of the late 1980s.

The Swiss too have had their awkward moments, such as those people stung by the late Robert Maxwell and by a similar Swiss figure, Mr Werner Rey, whose Omni group collapsed earlier this year, but they have managed to keep their losses under control.

In the whole world, only five leading international banks have maintained triple-A ratings from the three main agencies, and the big three Swiss banks are among them. In October, Moody's shocked the Swiss financial community by putting Credit Suisse ratings on its watch list, but Standard and Poor's made clear last month that its ratings on all three big banks were stable for at least the next 18 months.

Part of the reason for the shock at the Moody's move was its timing. At the beginning of the year, all three banks were reeling after a very bad 1990, especially Credit Suisse, the smallest of the three, which cut its dividend after reporting consolidated gross profit of only SFr1.5bn, down 20 per cent from the previous year.

However, this year, profits have surged back, as the banks have been able to capitalise on their solid foundations in international markets. Credit Suisse gross profit jumped 71 per cent to SFr1.33bn in the first half. Both Credit Suisse and Union Bank of Switzerland (UBS), the largest of the three, have forecast record earnings in the current year. SBC has been slightly more cautious, indicating that only its cash flow is likely to move into record territory. Big provisions could prevent profit from doing likewise.

Anyway, *the big three* will not gloat, because they believe they still face considerable challenges.

Within the Swiss market, they have been suffering from a classic margin squeeze. High interest rates have driven depositors away from savings accounts into money market instruments, while political considerations have made the banks timid about raising mortgage interest rates.

Slumping property markets have brought about a substantial increase in the number of non-performing mortgage loans, and the banks have warned that they will be making substantial provisions for the next couple of years to cover losses in this sector. However, as one UBS official points out, it is nothing like as serious as the effect of property slumps in the US or the UK, partly because the Swiss tend to hold on to their homes *rather than trade up frequently*. UBS says less than 0.5 per cent of its SFr45bn mortgage portfolio is non-performing.

At this point, the banks' preference is to sit tight and hope that short-term interest rates will come down soon, enabling them to re-establish spreads. The yield curve has been inverted for over three years and, if it does not revert soon, the country would suffer a serious recession, the UBS official says.

Banking system: comparative sizes (1989)

	% of total assets	Number of entities
Cantonal banks	18.83	29
Main banks	49.18	5
Regional & savings banks	8.50	210
Credit banks	3.01	2
Others	5.39	91
Finance companies	2.42	138
Foreign banks	12.08	135
Private bankers	0.54	22

Source: Association of Swiss Regional Banks

The banks have been complaining about the collapse of commission income from securities brokerage fees in the wake of the abolition of fixed commissions at the end of last year. But this should not be taken too seriously. As the dominant players in the Swiss capital markets, handling something like half the business, they stand to gain from the shake-out of weaker banks *caused by the keener competition* for business. Moreover, as Mr Walter Frehner, president of the executive committee of SBC points out, the banks as fund managers will benefit from the tendency of individuals to invest their money more effectively in collective funds.

Abroad, the banks have reason to worry about the relative decline of the prestige of Switzerland as a financial centre. The strong suit of the big three – like that of the Geneva private banks – has been the portfolio management services they provide to that special group of clients called high net worth individuals.

For these people, Switzerland has had various attractions in the past, notably the strength of the Swiss franc and a strong practice of bank secrecy. In the past few years, both have wavered.

The big three recognise that, like the big Swiss industrial companies, they can no longer rely on Swiss capital markets for their own capital, and have gone a long way in the past couple of years to clean up *their images in international* capital markets. Credit Suisse led the way, publishing consolidated statements in 1989, and the two others followed last year. All three make regular presentations on their affairs to securities analysts and are putting out increasingly informative interim statements.

Restrictions on share ownership are being removed, but the banks are in a tricky position – under Swiss law they must be over 50 per cent Swiss owned to be considered Swiss banks. However, the executive suites of the big three are becoming more international.

Ian Rodger

■PRIVATE BANKS: greater foreign competition

A tightening of belts

THE SWISS are being tested in their speciality, private banking, by mounting foreign competition, uncertainty about Switzerland's future relationship with the European Community, and by the fumbling way in which their authorities are changing the rules of competition.

For all that, many private bankers report a faster growth in assets under management this year than in 1990 and no evidence has yet emerged to suggest that Switzerland's eminence as the leading international centre for administering private fortunes has been greatly undermined. Swiss banks' reputation as a safe haven may even have been enhanced by the Gulf war and the BCCI scandal.

Foreign bankers in general seem unable to make up their minds about the value of *having a private banking stake in* Switzerland. Manufacturers Hanover, Chemical and First Chicago have quit. American Express handed over the Trade and Development Bank it had acquired from Mr Edmond Safra to Mr Edgar de Picciotto's domestic CBI bank.

However, Mr Safra has returned and is reporting steadily growing profits from *his Geneva-based* operations. Chase Manhattan has switched the headquarters for its European, Middle East and African private banking business from London to Geneva while National Westminster has based its international private banking – under the Coutts name – in Zurich. Japanese securities houses have been securing Swiss banking licences with an eye on private asset management as well as on business in bonds and shares.

On the purely domestic side the attrition in number of the *truly private banks – those in* which the owning partners commit their own fortunes – has continued with the merger of Darier and Hentsch; but the bigger banks, Pictet and Lombard, Odier, apparently go from strength to strength. The Big Three banks – Union Bank of Switzerland, Swiss Bank Corporation and Credit Suisse – have been taking over small private banking operations although their thirst appears to have been slaked in recent months.

Without question Switzerland retains its supremacy in private banking. Mr Hans-Dieter Vontobel of the Zurich-based Vontobel Bank recently calculated on the basis of declared expenses that Swiss-based banks managed some SFr1,800bn in assets, of which 70 per cent represented foreign capital. The Big Three banks are understood to hold *between 40 and 50 per cent of* the total with the traditional private banks accounting for about 10 per cent.

Still, Swiss private bankers have their worries. Fundamental is the perception that the Swiss franc has become a currency like any other and that Swiss bank secrecy is no longer enough in its own right to attract clients. As long as the EC cannot introduce internal regulations on the exchange of information between national administrations, there is no pressure on the Swiss to amend their refusal to disclose details of their clients' business to foreign tax authorities but the situation within the EC could change in a few years.

A more immediate concern is the squeeze on profit margins – real or anticipated – *from securities trading after* the Cartel Commission had forced the banks to abandon their fee-fixing brokerage convention from this year. This change may have hurt the Zurich banks most. Mr Vontobel pointed out that the Geneva bankers focus more on portfolio management and investment advice while the Zurich private banks count on substantial trading in securities and currencies to increase their incomes. Some smaller banks, both in Zurich and Geneva, have stopped trading on the stock exchange.

The attrition in the number of private banks has continued

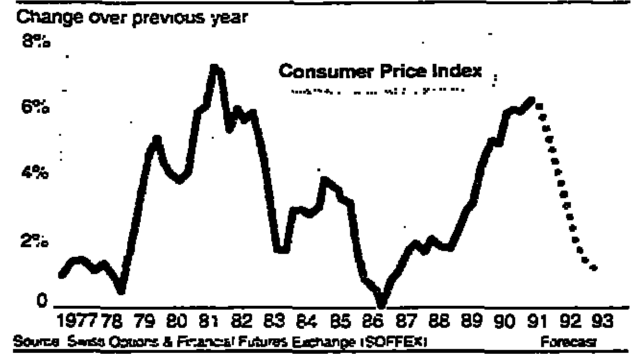
Customers' loyalty is traditionally strong in private banking. So far, bankers say, few have moved their accounts because they have been offered cheaper commissions and the price war is largely confined to big institutional accounts. New high net worth individual customers, however, are looking for competitive pricing.

Similarly to the commercial banks, private banks have been tightening their belts. Many have laid off staff – an indication that profit performances may have varied considerably this year. There is a general perception that the *good times of the 1980s have* faded and that a harsher trend will prevail in the 1990s.

Nervous Swiss private bankers may find some consolation in a recent remark by Mr Lawrence Huntington, president of Fiduciary Trust International of the US, which manages the UN's staff pension fund and which has applied for a Swiss banking licence. Switzerland, he said, would continue to be "an extremely desirable place" for asset management.

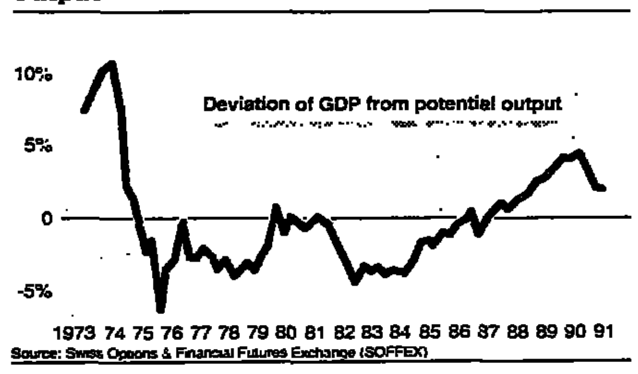
William Dullforce

Inflation



Source: Swiss Options & Financial Futures Exchange (SOFFEX)

Output



Source: Swiss Options & Financial Futures Exchange (SOFFEX)

■PROFILE: Thierry Lombard, private banker

Retaining the advantages

ONE PRIVATE banker who believes it is time to do battle to retain Switzerland's standing as an international banking centre is Mr Thierry Lombard, a sixth-generation descendant of one of the merchants who founded Lombard, Odier & Cie in 1798.

In the past 193 years ownership of the bank has passed through only 41 partners. Mr Lombard, 48 years old, is one of eight partners whose average age is 48. Since his arrival he has seen a transformation of the bank, as the partners have responded to the fierce competition and the deregulation of international banking that has rattled the previously cosy world of Geneva private bankers.

"Prominent people at all levels in Switzerland need to work to retain and develop the advantages we possess instead of thinking that we have been given them as a gift for eternity," Mr Lombard says.

His belief, which he shares with other members of the small but high prestige Groupement des Banquiers Privés Genevois, is that private bankers and businessmen must assume greater responsibility for promoting Geneva as a finance centre. He is involved in projects for an association to co-ordinate more efficiently the activities of private and public bodies, to ease the way for the establishment of new enterprises and to improve the training of bankers.

He is acting chairman of the Geneva bourse which has played an important role in putting the plan for a nationwide Swiss electronic stock exchange back on track after it had a disastrous start.

Yet Mr Lombard might never have become a banker. His uncle was a partner in the bank but his father was a geologist. For three years from the age of 15 he served an apprenticeship with Grand Passage, a big retailing chain, before finally embarking on the course via an economics degree, a year at Cambridge, a year at Chase Manhattan, and periods with Bank Sarasin in Basle and the Zürcher Kantonalbank that brought him to a partnership in the family bank.

He singles out two important elements in Lombard, Odier's adaptation to change in the past 15 years: the development of a network outside Switzerland and the achievement of a critical mass in funds under management and organisational structure which has equipped the bank to cope with the more difficult environment bankers are likely to experience in the 1990s.

The partners have made a point of setting aside a substantial part of the profits from the relatively fat years of the 1980s to build up reserves and reinforce the bank's capital base for the 1990s.

Expansion outside Geneva was dictated, first, by the realisation that Swiss bankers could no longer wait for clients to come to them and, second, by domestic limits on the services that could be offered from Geneva, most seriously those imposed by the infamous federal stamp duty on securities transactions.

Lombard, Odier's main foreign operation is in London, from which it administers about $5bn of the more than $25bn of assets it manages. But, more importantly, it has developed expertise in London, particularly in fixed-income investments, which is not duplicated in Geneva.

Some 40 per cent of the assets managed belong to institutions, a relatively high percentage for a private bank whose traditional business is looking after the wealth of private clients. Mr Lombard sees this as proof of the bank's ability to satisfy pension fund managers' demand for performance and argues that the private clients benefit from the more extensive analytical skills developed to meet the institutions' demands.

Thierry Lombard: Requires top quality service

"At the end of the day it comes down to providing all kinds of clients with good performance over time and top quality service," he says.

Competition in private banking from foreign banks is tougher both within Switzerland and abroad, Mr Lombard acknowledges. "But we have the name, the reputation, the structure and the expertise and the potential for growth is still there. Finally, it comes down to people; if Lombard, Odier is not successful in the 1990s and beyond, it will be because we are not good enough."

WD

Crystals help to cut cars' warm-up times

Some Saab cars are to be fitted from next year with a crystalline-based heat exchanger designed to shorten the engine warming-up period. Three environmental, safety and comfort benefits are claimed for the system, which is expected to add about £400 to the price of each car:

- A significant reduction of exhaust pollutants emitted while a catalytic converter is reaching its 450 deg C working temperature;
- The provision of virtually "instant" warm air through the car's interior defrosting and ventilation system, eliminating the defrosting and visibility problems associated with winter starting;
- A reduction in the high fuel consumption normally associated with warming-up.

The heart of the "thermo accumulator", developed by Schatz Thermo Engineering of Germany, are salt-based crystals which change from solid to liquid above 78 deg C.

In liquid form, the crystals store heat extracted from the engine's coolant during normal running. In solid form, they release heat – straight back into the engine's coolant system whenever it is re-started.

The crystals are housed inside sealed fins within a vacuum-insulated metal cylinder some 33 cm long and 16 cm in diameter, through which the engine coolant circulates. Saab says the insulation is sufficient to keep the liquefied crystals above 78 deg C for more than three days after the car's engine has been switched off.

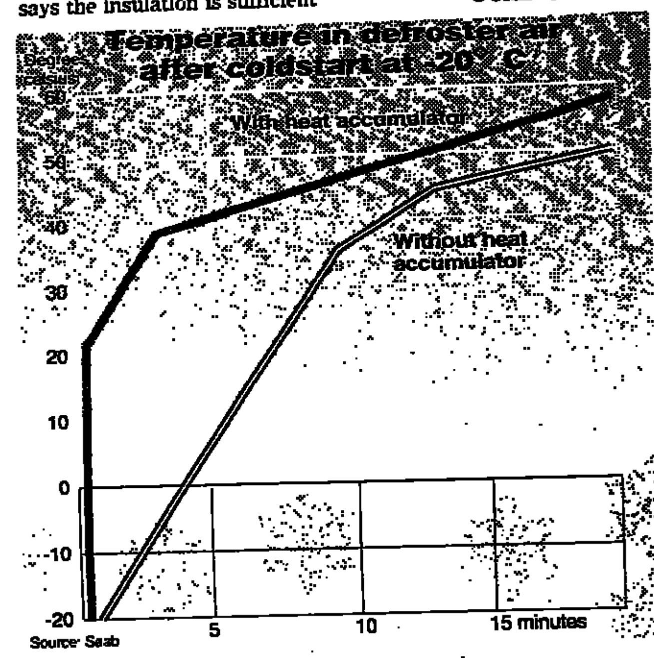
Saab Automobile, owned jointly by the Swedish group and General Motors, says the accumulator can deliver between 60 kW and 70 kW of energy into the system within seconds of start-up.

In practical terms, this means that when the ambient temperature is zero degrees Centigrade, air at a temperature of 40 deg C is provided virtually instantly through the car's heating/defrosting system. This compares with around five minutes required for a car not fitted with the accumulator/exchanger.

Saab engineers say they have observed average reductions of 55 per cent in emissions of carbon monoxide, and 12 per cent in emissions of hydrocarbons, during the first three and a half miles of typical journeys.

Saab plans to fit the accumulator to its 9000 and CD models as an option from the end of next year. "It is an efficient way of harnessing and recycling engine heat which is otherwise largely wasted," says technical director Stig-Goran Larsson. "There are no significant running costs associated with it, it does not require special coolant and it should last the life of an engine".

John Griffiths



Source: Saab

Dave Madden reports on progress towards flexible software for financial institutions

Banking on a database

Ike Richards, head of branch banking systems at National Westminster Bank, has just visited Dublin.

He was there to begin "testing" the bank's data model design against IBM's own Financial Services Industry Data Model (FSI DM), a core element of IBM's Financial Application Architecture (FAA).

Back home, Richards is marshalling NatWest's Customer Relationship Database project, "the biggest IBM DB2 database application in the world – by a factor of four", he says, which is rolling out to NatWest branches at the rate of 50 a week and is pivotal to the bank's customer service and marketing strategy.

The second phase of this development is a "re-design and re-write" of NatWest's ageing core accounting systems to complement the new customer relationship system. For this, getting the data model right is critical – not only in systems terms, but also to the competitive future of the bank. "Quite simply, we have got to get this right," Richards says.

"If the architecture of your data is sound you can cope with whatever the future holds – you can change hardware and software and accommodate change in the business because the data infrastructure will hold true," Richards argues.

In his view, the data model is such a bed rock that he is unwilling to leave any stone unturned.

To Richards, comparing NatWest's design with IBM's generic FSI data model is that final stone – if there is a good match, then he is as confident as he can be that he is on the right track.

What is curious about this is that going to IBM for, in essence, independent corroboration, even consultancy, is counter intuitive, to say the least.

Richards says that the FSI data model is as close to a data model standard for the financial services industry as there is, and he thinks that given the high stakes for all concerned, no one building a similar system can afford not to look at FAA, even if it only for comparison.

The concept of "application architectures" is in vogue, not least in financial services which is in the throes of a systems revolution. Across the board, institutions like NatWest are struggling to replace functional, but monolithic, accounting-based systems with customer relationship systems to build a flexible IT infrastructure that can handle mergers, acquisitions and the like, and to drive down costs in branch networks.

Banks are in the throes of a systems revolution which could help to drive down costs in branch networks

"Clearly there is a drift to application architectures. They offer institutions a framework, a big picture, of what their IT should look like," comments Alan Johnson, a partner in Price Waterhouse's financial service consultancy.

But while FAA has caught that drift, it has presented systems developers with a Catch 22 dilemma.

Financial service companies are keen to exploit, even to conform to, FAA standards. But these "standards" are not published, and they cannot afford to wait.

The result is a rumbling of frustration and confusion, which has led some cynics, not unused to doubting IBM's motives, to conclude that FAA is just a marketing spoiler.

IBM concedes that there is a degree of "confusion in the marketplace". FAA is, to paraphrase IBM, a "financial extension" of its once-vaunted Systems Application Architecture – a set of technical standards and products designed to provide a framework for developing and running applications across different IBM platforms.

In turn, FAA comprises both architecture, standards (including the FSI data model), technical components and interfaces, a migration strategy and, eventually, applications software products (though the first of these, Customer Relationship System, is not likely to emerge until 1993).

IBM UK stresses two points. First, whatever its complex antecedence within IBM, FAA is now a customer-driven initiative. Second, FAA standards will be "open" and "published".

This customer participation is a formal process, organised through separate US and European Customer Advisory Boards. For example, a dozen user companies, including Woolwich Building Society, have worked with IBM to design the data model.

Cliff Howard, the Woolwich's information systems planning manager, says his society is not committed to taking FAA products – the exercise has allowed it to get close to IBM's thinking and, in part, to influence it, while keeping its options open. Like NatWest, Howard thinks the data model gives the society a degree of external corroboration of its own strategy.

The consensus is that this customer involvement has enriched what would otherwise have been a technocrats' initiative – though one consequence is that the project is way behind schedule.

The "open" argument is not so clear cut. "Ultimately we want third parties to write to FAA standards," says IBM. It adds: "Ownership of the data model is a big area of discussion within IBM at the moment. Clearly someone has to own and control it . . . it is possible that we will never publish the whole model."

Of the six basic functional components of FAA – Banking Business View, Financial Services Industry Strategy, FAA Overview, FAA Detailed Documentation, FAA Standards, and FSI Data Model – only the overview is complete and available to outsiders.

FAA's relationship with SAA also compromises its "open" image in technological terms. SAA is a proprietary architecture – it does not support Unix pr other open systems environments.

Don Lonsdale, a principal of IT consultancy CSC-Index, says that financial institutions are increasingly preoccupied with open systems issues as they try to distribute computing to their branch networks. Cliff Howard concedes that ultimately FAA will be constrained by SAA, but he is confident that SAA will eventually support open, heterogeneous computing.

Not surprisingly, there is a degree of scepticism. Robin Stainer, head of Andersen Consulting's financial markets division, argues that while IBM's FAA sets a valuable agenda for the financial services industry, its lack of substance and vague delivery timetable is destabilising.

Cliff Howard of the Woolwich points out that IBM's CRS system has been subcontracted to a software house, but that the same design standards are not available to other systems developers and that the situation is clearly unsatisfactory. IBM's FAA approach is "muddying the waters" for financial service companies, says Stainer. "There is lot of momentum behind FAA, and none of us can afford to ignore it," says Howard.

POCKET COMPUTERS

Sharp's slick, solid hybrid

By Paul Taylor

Sharp makes no pretence about it. The IQ-8200, proclaims the straightforward operation manual, is an Electronic Organiser.

In fact, the top-of-the-line IQ-8200 is a hybrid – more than a simple electronic diary-cum-calculator, but less than a fully-fledged hand-held computer.

The £259.99 metallic-grey clam-shell machine measures 7"x3¾"x¾". Yes, the IQ-8200 will fit in the palm of a large hand, or a suit pocket, but only just.

Sharp has produced a slick, solid, reasonably easy-to-use and versatile machine with a battery life of about 150 hours, power saving features and "low-battery" warning.

While the IQ-8200 offers all the usual electronic organiser functions - calender, diary, calculator, 'phone book, clock plus a few more - its real strength lies in the plug-in integrated circuit software applications cards which enable the machine to perform some of the most popular functions of a personal computer.

These credit-card sized ICs cost from £34.99 to about £100 and range from standard applications like spreadsheet (not Lotus 1-2-3) and database programmes to a language translator and more specialised cards such as a money market dealers' card, a heat loss calculator for central heating installers and even a cinematographer's card.

Card functions are easy to select using the touch-sensitive window to the right of the screen.

The IQ-8200 is not for amateur programmers. But the corporate buyer's IT department (or the computer whizz) can produce other customised programmes written on a PC and then transfered to IC cards.

The organiser comes with a reasonable 40x8 columns display (although there are only two fixed screen positions) and a calculator-style standard Qwerty keyboard with a good positive "feel" but not large enough for anything more than two finger operation.

Instead of typing in sales specifications, customers' names or telephone numbers, it is much easier to download these from the office desktop PC or Apple Macintosh using the optional cable and communications software (cost £79.48).

Names, product details, sales or other information stored on the IQ can be transmitted to an office computer over a telephone line using an optional pocket modem.

Similarly, when connected to a modem the IQ-8200 can act as a remote terminal to capture information from a host computer back at head office. Two organisers hooked up together can also swap data.

Built-in functions, which also include a scheduler and an outliner, are called up to the screen using a set of 12 hard-wired function buttons which are simple and fairly easy to use, particularly if the owner has had some experience of using a PC.

Minor niggles include the layout of the numeric keys and maths functions – two horizontal lines which are more cumbersome to use than a calculator, and the memo feature which falls far short of even a fairly basic word processor.

The IQ-8200 also comes with a built-in context sensitive help feature, which saves having to dive back into the weighty manuals all the time.

If the price tag is too high, its look-alike "baby brother", the IQ-8000 with less memory, is an alternative at £159.99.

However, if what is required is a full-function IBM-compatible PC, it might be worth waiting for Sharp's PC-3000, which will be in the shops next month at or below £800.

The series will continue next week.

ARTS

Ian Fountain

QUEEN ELIZABETH HALL

Fountain is 21 now; more or less, but he won the Artur Rubinstein Competition in 1989: no mean feat. Two months ago he made a sterling effect in Frank Martin's Triple Concerto at the Barbican, flanked by far more seasoned soloists on harp and harpsichord. On Sunday he gave his first London solo-recital – Scarlatti, Prokofiev and Chopin. It confirmed and enriched that earlier impression, and allowed one to get him into better focus.

Fountain has strong, clean fingers, and applies them to strictly musical (but always attractive) ends – according to his lights. His three Scarlatti sonatas were tinted in ultra-pianistic chiaroscuro, all wistful shadings and pedal-haze, as if the harpsichord had nothing to do with this music: odd, but charmingly turned.

In the third of Prokofiev's "wartime" sonatas, the Eighth, he was both precociously *soigné* and innocent. The Eighth is "discursive" music, as commentators say guardedly, and therefore "elusive" in the strict sense that it's hard for a pianist to get a confident hold on it. Fountain's way was to play it very seriously at face-value, with beautifully lucid textures and a discreet, continuous impetus, as much digital as dramatic. In keyboard terms he was fully in command – but there was no threatening glint in the right-hand slashes from on high in the first movement, nor any sharp sting at phrase-ends in the Vivace: nothing to disturb, and therefore, finally, not quite the voltage that this long piece needs.

Still, the "dreaming Andante", a popular-nostalgic interlude like those in Prokofiev's other "wartime" sonatas, was rendered with flawless tact – no irony, where perhaps none would be in place, but candid tenderness and a softly glowing palette. If Fountain was too generous with his pedal-sonorities, at least he deployed them with a finesse rare among young British pianists these days. The net effect of his Prokofiev was of a cool but steadily interesting argument, scrupulously rendered, without stabs or subversive undertones.

His Chopin – the great, late Barcarolle and the B minor Sonata – shared that stamp. Each movement was keenly pursued with deft fingers, and the proportions were excellent. Yet passing moments weren't much explored, nor any urgent subtexts: there was nothing voluptuous in the ravishing development of the Sonata Allegro, a properly stark introduction to the Largo ushered in a merely gracious "Andante", the Finale met Presto standards brilliantly without sounding either harried or nervily triumphant.

Chopin's deep basses were seriously underplayed, except in the slowest music. In the many passages where his harmony confounds what the ear expects, Fountain's delivery was so smooth and unruffled as to conceal the point. I thought it all most candidly and engagingly executed, free of any theatrical effect beyond what the pianist genuinely felt.

His playing has the ring of transparent, unforced character: perhaps what he needs now is perhaps a miserable love-affair. So I thought, anyhow, while he delivered his Chopin encore: it happened to be a piece that Malcuzyinski used to freight with disconsolate, unsayable depths, and hearing it made into a blithe exercise brought one up short.

David Murray

A seasonal pot pourri

William Packer rummages through the London galleries

This is really no season for the serious, reputation-making one-man show. Far better to rummage through the racks, or summon willing artists to work on a given theme, for a representative selection of Christmas bargains – not that 1991 in the galleries has not been one long sale. And the great benefit of this approach to the interested viewer or active collector is that he may tour in comparatively short a space the full range of British art.

The Mayor Rowan Gallery (31a Bruton Place W1) has been quiescent throughout the year. Its current miscellany of work by its gallery artists embraces media of all kinds, from drawings and prints, maquettes and larger works on paper, to the largest oil paintings. Most indeed are modest enough in scale – which of itself allows a full variety – and yet they combine in welcome celebration of the collective achievement in British art that the Rowan has represented these past 30 years, and we have sadly missed in recent months.

The sculpture of Phillip King; the reliefs of Anthony Donaldson – conspicuous absentee from the Royal Academy's Pop Art show; paintings and drawings by Paul Huxley, Mark Lancaster, Sean Scully, Richard Kidd, Jeremy Moon, Anthony Green, John Golding – whose distinction as a scholar still obscures his true quality as an artist: Martin Naylor's large and magnificently ambiguous triptych, hovering between painting, assemblage and relief: all these things are by no means inconsiderable. It is salutary to be reminded that such things are still being done, and such senior and accomplished artists still hard at work.

★

The Albemarle Gallery too has had an uncertain year, but is *happily still with us. Its Images of Christ* (18 Albemarle Street W1: until December 18) shows what can be done when a bright seasonal idea is carried through with a nice judgment and proper discretion. For, while this exhibition includes one or two odd, even extraordinary, works- Anthony Green's mystic self-Crucifixion, as it were, of Saint Anthony himself transported by the most tempting of angels, in their black shifts and red stockings, only the most notable- it is no cheap exercise in opportunism.

All the works, even the oddest, are serious, appropriate and properly dignified. They fall into two roughly equal groups, the Modern British and the Contemporary, that is to say artists of the 20th century both dead and alive. Particular *images rest in the mind:* Stanley Spencer's "Sabbath Breakers" in a Berkshire cornfield; David Jones's sensuously Gill-like Saint Gregory with slaves; Sutherland's study for a Deposition; Michael Ayrton's strange and powerful working metaphor, "The Crucifixion of the Vines".

Of the work of living artists, Green apart, Francis Souza's large expressionist Crucifixion is inescapeable, but John Napper's wry and delicate studies for a "Flight into Egypt", with the principals on a bicycle, and an "Annunciation" with the Angel on the telephone, perhaps the more insidiously memorable. Sarah Raphael shows Christ in the garden with the disciples asleep, a haunting rural idyll.

★

For many years, long before her translation to the far steppes of Hackney, Angela Flowers has been celebrating her gallery Christmas with a *Small is Beautiful* exhibition. No theme as such is set, but only the genre in the broadest terms and the physical limits, inches rather than feet, which the invited artists are expected to observe. Shows in the past have centred upon the collage, the portrait, the nude and suchlike: this year it is the *turn of The Abstract, filling the* largest of the three spaces at Flowers East (199 Richmond Road E8: until January 12) with tiny paintings, reliefs and sculptures, some 85 in all by 51 artists.

For once it seems the opportunity has not been taken to coax artists out of their established fields, which has always been a peculiar charm of the series, but that is more a personal grouse than a criticism. As it is, at a gallery known to specialise in figurative art we are offered an enjoyable run through the currency of British abstraction by artists young and old, familiar, neglected and forgotten.

Again it is salutary to see how well the older, more neglected and forgotten stand *up to the well established and* the vaunted young. To see Bernard Farmer's deceptively simple and elegant hard-edge images is to wonder just why he was never picked up by galleries and museums a generation ago, and the same may as well be said, by their work here, of Ian Tyson and Trevor Sutton. Marc Vaux, Noel Forster, Paul Neagu, Sandra Blow, John Loker, Bernard Cohen, Bridget Riley and Gwyther Irwin are all worth searching out. Of the sculpture, Tim Lewis's cranky wind-up writing machine is as delightful a piece as we now expect of him. Pieces by Carole Hodgson and Dave King, and the reliefs of Michael Michaeledes, Andrew Golding and Panayotis Cacoyannis are all worth noting, and *William Pye's small bronze* "Ripple Walls" can only make us wonder why his small and intimate work is so seldom seen in public.

★

A coincidental show of prints published by Flowers Graphics, including strong new work by John Kirby, Michael Rothenstein, John Loker and Albert Irvin, fills the upper gallery. The lower gallery holds a large group of recent water-colours by Josef Herman, of trees, nudes, figures and landscapes, all as monumental as they are symbolic.

★

A final word for the Chesea Arts Club, which this year is celebrating its centenary in all sorts of agreeable and inexpensive ways, not least by the *exhibition of works by present* artist members that now fills Smith's Gallery in Covent Garden (54 Earlham Street, WC2: until December 21).

'Head' 1991 by John Kirby at Flowers East

LSO/Davis

BARBICAN HALL

Colin Davis's role as Chief Guest Conductor of the LSO has been established now: he is the orchestra's elder statesman, the safe pair of hands which can relied upon to deal sympathetically with the large-scale masterpieces of the 19th century. As an article in the current LSO programmes so patronisingly puts it, Davis is "mellowing into a substantial interpreter of mainstream symphonies."

On Sunday, with the LSO Chorus and a potentially first-rate line-up of soloists, he conducted Beethoven's *Missa Solemnis*. It was an intensely serious, weighty affair, predominantly slow-paced, sombrely coloured. Davis is one of the least self-regarding conductors one can imagine, rarely drawing attention to his own powers, but there are occasions when this humility seems to leave his performances overawed by the majesty of what he is conducting. The treading-on-eggs opening to the Kyrie of this mass, for example, so measured and unadorned, suggested a work approached on bended knee, a trance that was hardly broken at all for the faster tempo of the central section.

It set the tone for what followed. The brief explosions of drama – the opening of the Gloria, the climactic double fugue on "Et vitam venturi saeculi" in the Credo – were the only occasions when the performance went out of its way to command attention, though the Agnus Dei worked beautifully, because its combination of stasis and easeful movement matched Davis's overall approach so precisely. Yet such passages, so perfectly realised, were insufficient compensation for the frequent slackenings of tension elsewhere.

The singing was equally variable. Among the solo quartet Bryn Terfel was outstanding, growing in vocal command with every appearance he makes; Katherine Ciesinski contributed some memorable, faultlessly eloquent phrases, Keith Lewis was his usual competent self. The soprano was Alison Pearce, a late-replacement for the indisposed Sharon Sweet; she seemed sometimes overwhelmed by the occasion. The chorus was attentive but rather raw-toned. A performance undoubtedly made with love and admiration, but falling to communicate most of that emotional power.

Andrew Clements

★

In last Thursday's concert, Sir Colin and the LSO played Dvořák's Seventh Symphony and the Mendelssohn First Piano Concerto (with Mitsuko Uchida as soloist – a touch clattery and flustered in the fast flourishes of the opening but singing the slow-movement song with inimitably clear-eyed simplicity and directness of spirit). As overture, however, the LSO *sans* Davis had offered their Barbican audience a novelty: an experiment in controlled improvisation titled *Soft Shoe Shuffle* undertaken by 12 LSO players and mounted under the guidance of the composer Peter Wiegold.

For at least one-and-a-half years prior to the event, we were told, the group had been gathering for regular workshops in which various forms and possiblides of improvisation could be explored. The final fruit of all this activity was pieced together on a basic written-out "backbone" (Wiegold's word, not mine) supplied by the composer and then extended via the players' responses. The result, alas, showed improvisation as little more an extended excuse for whimsy and sort-of-jazz, rude noises from the brass, and a *complete* avoidance of corporate imaginative fantasy. In plain words, *Soft Shoe Shuffle* seemed to me the most frightful, time-wasting rubbish.

Max Loppert

Sawallisch's Brahms

ROYAL FESTIVAL HALL

Wolfgang Sawallisch is one of the few really distinguished representatives of the German conducting tradition. In his young days – he is now in his late 60s – he gave concerts with the Philharmonia; thereafter, London encountered him far too seldom. Hearing an orchestra under his baton, one cannot help being filled with an intense regret for the missed years; more positively, *one is also filled with a fervent* hope that the relationship he has recently struck up with the London Philharmonic will change all that.

Sunday's LPO concert was the first of two all-Brahms programmes (the second next Wednesday); it was an occasion rich in mature musicianly pleasures. The Brahms Third Symphony was unfolded with eloquently sober restraint. There were no great blastings-out of its motto-theme. No perfumed delicacies were lavished on its gentle inner movements (though the moulding of melodic lines was always beautifully supple). No artificial dramatic contrasts were whipped up in the finale (though the closing peace after storm was achieved with rare inevitability). Expressive extremes were rarely touched.

One sensed a profound inwardness in the approach to the symphony, a tendency to search out half-lights and quiet poetic asides; one was drawn into the musical argument rather than being belaboured, tickled or else smothered with it. This sort of Brahms interpretation, deeply imbued with the *sense* of the music, profoundly idiomatic in the speaking of Brahms's musical language, is much more demanding on orchestras than the flashier sort. Moments of imprecise ensemble and, in the first violins, a slight lack of bloom on the tone suggested that the LPO's familiarity with *the conductor's beat is not yet* fully secured. The rewards of the performance were multifarious and long-lasting, the imperfections of little moment.

The same intermittent looseness of orchestral focus had marked the accompaniment to the First Piano Concerto, earlier in the evening. This time the overall experience proved less satisfactory, because of the marked contrast between Sawallisch's Brahmsian traits and the instincts and those of the soloist, Maurizio Pollini. As one might have expected, the piano part was accomplished with invincible strength, solidity and technical command; but for all that, it seemed to me utterly lacking in warmth. The great interpreters of this work take risks with it, betray quirks of individual inspiration, uncover depths of *espressivo* tenderness. Pollini's magnificent, armour-plated competence amounts, I fear, to a failure of understanding.

Max Loppert

Alastair Muir

Cathryn Bradshaw and Terence Beesley

The Mysterie of Maria Marten

CROYDON, WAREHOUSE

Croydon's antidote to the pantomime *season can be found within hissing* distance of the mainline station, in cheering proximity to the legions of office blocks that keep the Warehouse box office in business. Under Ted Craig's astute direction a tradition has grown up of seasonal cafe theatre, on more or less traditional themes, in which audiences of adults can laugh as they eat without fear of being hoiked up on stage and publicly humiliated.

A couple of years back Craig offered a rare revival of a nautical melodrama. *This year, he has mounted a superb* new version of the 19th century spine-chiller *Maria Marten*, which shares little with the celebrated melodrama of the same name except a nose for a good story and a taste for sensational entertainment. The killing of Maria Marten in the Red Barn at Polstead in Suffolk in 1827 was the cause célèbre of its age: a hapless country girl slaughtered by her well-to-do lover, who was later hanged for the crime.

The episode is seen through fresh eyes by Chris Bond, who improvises some imaginative links with the agricultural riots of the early 19th century, and even – in one of his wilder flights of fantasy – with the ancestry of Sherlock Holmes. What those links are, dear reader, you must see for yourselves.

Suffice it to say that Mr Bond has *devised a splendidly irreverent spoof* thriller, in which blackmail, fornication, hypocrisy and revenge blend with jolly pastorale and thunderous political satire. An offstage piano is repeatedly ravished, while in an inspired onstage centrepiece, a priest and a gypsy battle for the soul of the young Maria with a mean pair of fiddles. Richard Dunkley's music is funny, sophisticated and well-researched.

This is melodrama that has been fra*ternising with Cold Comfort Farm:* skittish, rude and blissfully profligate with its energies. Rob Mason and Nicky Croydon do splendid service as Maria's mole-sticking father and her greasy Joan of a mother, who keels a pot of country wisdom and offers one show-stopping ballad. Cathryn Bradshaw turns a pretty palpitation as Maria, and Terence Beesley has the driven look of the murderous villain he may (or may not) be. The Warehouse might not be the most comfortable or elegant of venues, but it certainly knows how to offer its regulars a good time. I doubt if there is a more cheering evening to be found this Christmas.

Claire Armitstead

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Song recital by Anthony Rolfe Johnson, accompanied by Catherine Edwards. Tomorrow and Thurs: Bach's Christmas Oratorio (6718 345)

Muziektheater 20.00 Carlo Rizzi conducts Werner Schroeter's production of Luisa Miller. Also Sat. Tomorrow afternoon, Thurs, Fri and Sun afternoon: Dutch National Ballet production of Swan Lake (6255 455/credit card bookings 6211 211)

BERLIN

Philharmonie Kammermusiksaal 20.00 Bernard Haitink conducts the Berlin Philharmonic Orchestra in Dvorak's Serenade op 44 and Haydn's Symphony No 86. Repeated tomorrow, Thurs and Fri (West Berlin 2614 383)

Schauspielhaus 19.00 Family concert by the Neue Kammersymphonie, with a programme including Prokofiev's Peter and the Wolf and Saint-Saens' Carnival of Animals. Tomorrow: Berlin Symphony Orchestra. Thurs: Barbara Hendricks is soloist with the Wurttemberg Chamber Orchestra. Fri: Mozart's arrangement of Handel's Messiah. Sat: Bach's Christmas Oratorio. Sun: Bach's B minor Mass (East Berlin 2272 261)

BRUSSELS

Palais des Beaux Arts Tonight at 20.00, Dirk Vermeulen directs Prima La Musica and the Chorale Cantabile Gand in Requiems by Mozart and Salieri. Fri: Ronald Zollman conducts the Belgian National Orchestra in Rossini's overture to La Cenerentola, Tchaikovsky's Fourth Symphony and Britten's Les Illuminations. (507 8200)

Monnaie Sylvain Cambreling conducts Mark Morris' new production of Le nozze di Figaro tonight and Fri at 19.00, also Sun at 15.00. The cast includes Dale Duesing, Hillevi Martinpelto, Elzbieta Smytka and Jose van Dam. Tomorrow, Thurs and Sat: Mark Morris Dance Group in The Hard Nut, music by Tchaikovsky (219 6341)

Theatre National Tomorrow at 20.15, Jean-Pierre Moemaers conducts Daniel Donies' production of Gianni Schicchi. Also Fri, Sat and Sun afternoon (217 0303)

COLOGNE

Philharmonie Tonight at 20.00, Christian Collum conducts the choir of the *Cologne Bach Society in* music by Bach and others. Tomorrow: Bach's Christmas Oratorio. Thurs and Fri: Russian folk song and dance with the Red Army Chorus and Ensemble (2801)

Opernhaus Hansel and Gretel can be seen tomorrow and Fri. Jochen Ulrich's Tanz-Forum production of Prokofiev's Romeo and Juliet is showing on Thurs. On Sun, Lothar Zagrosek conducts the first night of Michael Hampe's new production of Die Entfuhrung aus dem Serail. (221 8400)

Schauspielhaus Tonight's performance is Schiller's The Robbers, directed by Torsten Fischer, repeated tomorrow. Thurs: Jean Genet's Les Bonnes (The Maids). Fri and Sat: Aristophanes' Lysistrate. Thurs in the Kammerspiele: Brecht's Jungle of Cities. (221 8400)

FRANKFURT

Jahrhunderthalle Hoechst Tonight at 20.00, Jorg Faerber conducts the Wurttemberg Chamber Orchestra in music by Bach, Stamitz, Mozart and Corelli. Tomorrow and Thurs: Ballet Argentino from Buenos Aires in choreographies by Petipa and Mollajoli (3601 240)

Opernhaus William Forsythe's *ballet The Loss of Small Detail* on Sat, and Lohengrin on Sun (236061)

Alte Oper A Christmas production of the Andrew Lloyd Webber/Tim Rice musical Jesus Christ Superstar opens on Fri, and runs daily except for Christmas Eve and New Year's Eve (1340 400)

GENEVA

***Grand Theatre** 20.00 Armin Jordan* conducts Jerome Savary's production of Die Fledermaus, with a cast led by Patrick Raftery. Cynthia Lawrence and Jeanne Piland. Runs till Dec 31, with next performances on Thurs and Sat (212311). Tomorrow in Lausanne and Fri in Geneva's Victoria Hall: Heinz Holliger conducts the Orchestre de la Suisse Romande in music by *Liszt and Holliger* (292511). Sun in Victoria Hall: Societe de Chant Sacre presents a Christmas concert of choral music by Schumann, Mendelssohn and Michel Hostettler (286820)

LONDON

Sadler's Wells 19.30 London City Ballet opens a two-week Christmas season with Swan Lake, runs daily till Dec 31 except Christmas Eve and Christmas Day. *Jan 2-4: Ben* Stevenson's production of Prokofiev's Romeo and Juliet (071-278 8916)

Royal Festival Hall 19.30 Lorin Maazel conducts the Philharmonia Orchestra and Chorus in Mahler's Second Symphony, with Susan Dunn and Linda Finnie. Tomorrow: Sawallisch conducts the LPO (071-928 8800)

Queen Elizabeth Hall 19.45 John Williams plays guitar concertos *by Vivaldi and Giuliani with the* Academy of St Martin in the Fields directed by Kenneth Sillito. Tomorrow: Nicholas Kraemer conducts Handel's Messiah (071-928 8800)

Covent Garden 19.00 Hartmut Haenchen conducts Graham Vick's production of Mozart's Mitridate, with Jochen Kowalski, Ann Murray, Yvonne Kenny and Gillian Webster, also Thurs. Tomorrow and Fri: *Le nozze di Figaro*. Sat: The Nutcracker (071-240 1066)

Coliseum 19.00 English National Opera production of Le nozze di Figaro, also Thurs. Tomorrow and Sat: Die Fledermaus. Fri: Rimsky-Korsakov's Christmas Eve (071-836 3161)

Barbican 19.45 Steuart Bedford conducts the ECO and Tallis Chamber Choir in excerpts from *Elgar's Starlight Express and* Britten's St Nicolas. Tomorrow: RPO Christmas concert (071-638 8891)

MADRID

This week's events at the Auditorio Nacional de Musica include a concert tonight by the Spanish National Chorus, conducted by Alberto Blancafort. On Thurs, there is a Mozart concert with music *for flute and string trio. This week's* Spanish National Orchestra programme (Fri, Sat and Sun) is conducted by Juan Pablo Izquierdo, and includes Bolero and Bruno Maderna's Piano Concerto, with Jean-Pierre Dupuy (337 0100)

MUNICH

Staatsoper 19.30 La boheme with Lyubov Kazarnovskaya as Mimi and Peter Dvorsky as Rodolfo, also *Fri. Tomorrow and Sat: Hansel* and Gretel. Thurs: Rene Kollo sings Peter Grimes in Tim Albery's production of the Britten opera, conducted by Andrew Davis. Sun: Minkus' ballet Don Quixote (221316)

Philharmonie 20.00 The Magic of Balalaika, with the Ossipov Balalaika Orchestra from the Soviet Union. Tomorrow and Fri: Leonard Slatkin conducts the Munich Philharmonic Orchestra in Dvorak's Sixth Symphony and Beethoven's Second Piano Concerto, with Christian Zacharias. Sat: Mozart's arrangement of Messiah (48098 614)

Herkulessaal der Residenz 20.00 Simon Preston plays three Handel organ concertos with the Munich Bach Collegium. Thurs: Munich Baroque Ensemble plays Christmas music by Corelli, Vivaldi and Torelli. *Fri: Franz Welser-Moest* conducts the Bavarian Radio Symphony Orchestra in Franz Schmidt's Fourth Symphony and Shostakovich's First Cello Concerto, with Wen-Sinn Yang (299901)

STOCKHOLM

Royal Opera Frederick Ashton's production of Prokofiev's Cinderella, staged by Michael *Somes, is showing at 19.30 tonight,* tomorrow and Fri. Thurs: Ingvar Wixell sings the title role in Simon Boccanegra (248240)

Konserthuset This week's concerts by the Stockholm Philharmonic Orchestra take place tomorrow and Thurs and are conducted by Neeme Jarvi. The programme consists of Mozart's Eine kleine Nachtmusik, Strauss' Also sprach Zarathustra and Rodrigo's Concierto de Aranjuez, with guitar *soloist Per Skareng (244130)*

WASHINGTON

Kennedy Center This week's events at the Concert Hall include two Pops concerts with the National Symphony Orchestra and the King Sisters, tomorrow and Thurs. At the Terrace Theater, Sean O'Casey's play The Shadow of a Gunman (1923) can be seen in a production directed by his daughter Shivaun, from tonight till Dec 29 (416 4600)

Blues Alley Jazz Supperclub The Phil Woods Quintet will be playing from Thurs till Sun (1073 Wisconsin Ave, 337-2338)

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MONDAY TO FRIDAY

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman
2300-2330 World Business Today
0100-0130 Moneyline

Super Channel
0600-0620 Business View
0630-0700 Business Insiders
2130-2200 (Tues) East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Wed) FT Business Weekly - global business report with James Bellini
2130-2200 (Thurs) Talking Heads - international issues

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week

SUNDAY

Super Channel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
1800-1830 World Business This Week

FINANCIAL TIMES

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Helping post-Soviet reform

NOW IS the first and, perhaps, the last chance for the west to promote radical economic reform in the former Soviet Union. Until the August coup, the dead hand of the old Soviet empire made reform impossible. Mikhail Gorbachev never understood what economic reform required or, if he did, was unwilling to accept its implications for his Leninist faith.

With the collapse of the centre, the opportunity has now fallen to the republican governments. But their chance to act may prove brief. From now on they will be held responsible for the decline. If such decline progresses unchecked, they will lose their popularity and perhaps their power. These governments must act, in their own individual interest. But after the signing of the commonwealth agreement between Russia, the Ukraine and Belorussia, they also enjoy an opportunity to act, where necessary, together.

An integrated economy needs free trade and currency convertibility. The west should, therefore, make assistance to the individual members of the new commonwealth of independent states contingent on their agreement both to a ban on customs barriers to internal trade, and to a payments union.

Experience in eastern Europe confirms the importance of the the second element. Members of Comecon were far less dependent on trade with one another than are most Soviet republics on internal Soviet trade. Nevertheless, the collapse of Comecon has contributed significantly to what is an economic depression.

Meanwhile, reform in individual republics will have to focus on the trinity of macro-economic stabilisation, price liberalisation and privatisation.

Monetary reform

Experience suggests that a change of political regime makes a monetary reform – the substitution of a new currency for an old one – feasible. Experience also suggests its desirability. Stabilising a high inflation is difficult. It would be far better to avoid that phase altogether, by demonetising the old Soviet rouble, bankrupt symbol of a bankrupt state, and substituting new republican moneys whose quantity is consistent with the current overall price level.

Monetary reform is impossible, however, if budget deficits cannot be closed. Ways must be found of doing so within each of the republics. Among those ways must be included both radical and swift reform of the tax system.

Price liberalisation

Price liberalisation should, ideally, follow monetary reform and coincide with privatisation of retail and wholesale trade, small enterprises and agriculture. Reconstruction and privatisation of large enterprise will prove a huge and intractable task. But in the case of Russia's most important industry, which is oil, leasing of much of the facilities to western interests – perhaps on a profit-sharing basis – is an immediate priority.

In the hazardous enterprise on which the republics of the former Soviet Union – above all Mr Boris Yeltsin's Russia – are now engaged, the West must offer four things: emergency help to overcome immediate shortages, such help being focused on the big cities and parts of the old military-industrial complex; comprehensive technical assistance, preferably through joint commissions located in each of the republics; a fund to secure convertibility of new republican currencies on current account; and long-term assistance with the infrastructure needed by a market economy.

The recent activism of the US, including the visit of Mr James Baker, the Secretary of State, marks a recognition that on it alone falls the burden of leadership. But the need to assist is far more widely shared. Most of the major countries have strong reasons – be they budgetary or political – for holding back. But all have far stronger reasons for coming forward. The chances of success may be low, but the costs of failure are daunting. The west, has spent trillions defending itself from the Soviet Union; it cannot now afford not to help make such spending unnecessary in future.

Rough stuff in housing

IF THE British government's response to the rising tide of repossessions in the housing market has, in Mr Paddy Ashdown's phrase, been timid and indecisive, there is a very obvious reason for it. The government is seeking to make the transition to a low-inflation economy and it has chosen to pursue that objective through the Exchange Rate Mechanism (ERM). Such a change in macro-economic management, to which all the three main political parties are now committed, cannot be brought about without huge adjustment costs. The rise in repossessions from less than 3,500 in 1980 to a possible 85,000 this year is a reflection of that bald fact. In effect the excesses of monetary policy in the second half of the 1980s ensured that an abnormally high level of pain in housing in the present recession was simply inescapable.

House prices have always been prone to sharp fluctuations in real terms over the course of the economic cycle. In the boom, home owners would borrow increasing amounts in relation to earnings, so propelling prices upwards. In the downturn inflation provided an adjustment mechanism that minimised social costs: house prices fell in real terms, earnings rose to help bring debt-to-income ratios back into line and borrowers financed their investment in housing at negative real rates of interest.

Ratios doubled

The difference in the present boom and bust cycle is that financial deregulation helped double debt-to-income ratios in the personal sector during the boom. This has led to a level of outstanding debt that is not, so the Treasury claims, excessive when compared with other deregulated economies such as the US, Canada or Japan. But those economies retain the freedom to reduce interest rates in response to domestic conditions. In contrast Britain's personal sector now has to bear the high real interest rates appropriate to conditions in continental Europe while sporting an Anglo-Saxon debt mountain.

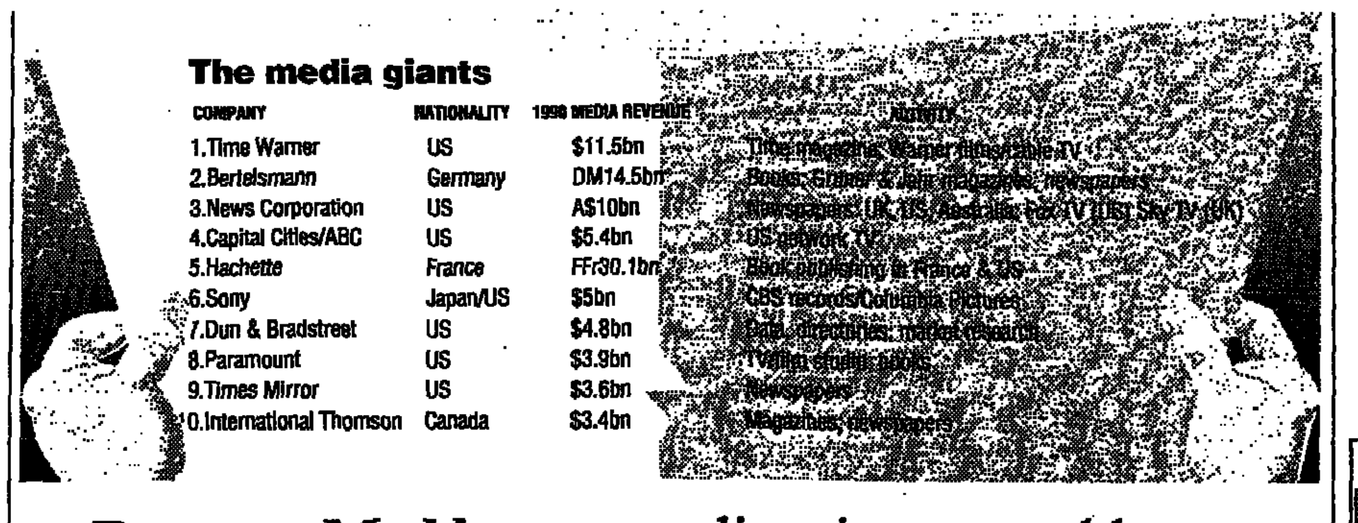
This a recipe for rapid disinflationary adjustment with maximum dislocation. Just as devaluation no longer offers an escape route to companies that concede excessive pay settlements in relation to European competitors, inflation no longer provides a painkiller for the borrower. Small wonder, against that background, that the savings ratio remains stubbornly high and that people attach greater priority to debt reduction than consumption.

Big numbers

A figure of 85,000 repossessions is little more than half a percentage point of the total housing stock and less than 10 per cent of the annual volume of transactions in housing. But more than 220,000 people are now more than six months in arrears; and an astonishing one in 10 are two months behind with payments – big numbers in terms of expectations and political currency.

Having exaggerated the economic advantages of wider home ownership and failed to educate the electorate on the impact of its financial policies, the government has a clear responsibility to those who have a negative equity in their homes and cannot meet their obligations. That responsibility will hardly be discharged by allowing banks and building societies to be paid borrowers' income support directly – a curious reward for imprudent lending. But if such tinkering is the price to be paid for persuading mortgage lenders and insurers to promote schemes to transform debt service into rental payments, so be it. In the current dialogue between government and lenders, ministers should also prod the building societies into a more supportive attitude to money advice centres.

But there are limits to what can be done. In many mortgage defaults, repossession occurs because the house is abandoned. And the macro-economic storm has to blow itself out if the government is to achieve its disinflationary objective. It follows that electoral slogans promoting the joys of ownership will look singularly hollow to those for whom ownership has entailed an introduction to the highest real rates of interest since the war and the threat of almost immediate dispossession.



The media giants

COMPANY	NATIONALITY	1990 MEDIA REVENUE	ACTIVITY
1.Time Warner	US	$11.5bn	Time magazine, Warner films/cable TV
2.Bertelsmann	Germany	DM14.5bn	Books, Gruner & Jahr magazines
3.News Corporation	US	A$10bn	Newspapers: UK, US, Australia; Fox TV; Sky TV (UK)
4.Capital Cities/ABC	US	$5.4bn	US network TV
5.Hachette	France	FFr30.1bn	Book publishing in France & US
6.Sony	Japan/US	$5bn	CBS records/Columbia pictures
7.Dun & Bradstreet	US	$4.8bn	Data, directories, market research
8.Paramount	US	$3.9bn	TV/film studio, books
9.Times Mirror	US	$3.6bn	Newspapers
10.International Thomson	Canada	$3.4bn	Magazines, newspapers

Bronwen Maddox on media winners and losers

Headline makers

When a director of Mr Rupert Murdoch's News Corporation was asked recently whether his company might buy any of the businesses now being shed by the collapsed empire of the late Mr Robert Maxwell, he burst out laughing. "We won't be in a position to buy anything for ages – we're out of that race."

While some media groups are still labouring under a mountain of debt acquired during the spending spree of the 1980s, *some are building their empires: yesterday the Canadian Mr Conrad Black, proprietor of the Daily Telegraph, won control of the failed Fairfax Australian newspaper and magazine group.*

Does Mr Maxwell's collapse *signal the end of the attempts* to build global media empires, or are there convincing arguments that size pays off? Who *are the winners and losers* of a race that began in the mid-1980s?

Between 1985 and 1991 the *world's media companies* – owning films, television, newspapers and books – spent about $150bn (£83.3bn) on takeovers. They spent roughly another $50bn-$100bn in satellite and cable channels, and in developing new book imprints. Booz Allen & Hamilton, the UK-based media consultants, say media companies spent a further $20bn (£11.1bn) on takeovers last year alone.

That expansion left many of the world's largest groups financially strained. Mr Murdoch's media empire, the third-largest in the world with interests in Fox Television in the US and a chain of national newspapers and Sky Television in the UK, has not disintegrated. But that is thanks to its bankers, who a year ago agreed to reschedule the Murdoch empire's debt of about A$8bn (£3.4bn) Time Warner, the world's largest media group, which owns Time magazine and Warner Brothers film studios, is shackled by debts of about $8.5bn (£4.72bn), and is issuing calls for joint venture partners to share the cost of developing its cable television and magazines. The French giant Hachette, the world's number five media group, finds its plans restrained by debts of some FFr7bn (£710m).

Given the financial predicament of some of the most aggressive predators of the 1980s, investors, bankers, and the companies themselves have asked whether the expansion was worthwhile. Several reasons suggest that it may now be falling off sharply.

- The belief that advertising, the revenue that drives television, newspapers and magazines, grows steadily, and is resistant to recession has been destroyed in the past two years, particularly in the recession-hit US and UK.
- Because of the question-mark over advertising revenues, bankers are likely to be more cautious about leveraging up cash flow or their balance sheet valuations of "intangibles" – the titles of newspapers and magazines, and catalogues of record companies and book publishers.
- Many of the largest media groups are privately-controlled: Bertelsmann, Hachette, News Corporation, International Thomson, Maxwell Communication Corporation. Some small media companies competing for acquisitions in the 1980s have suggested that such companies were able to inflate takeover prices because they were not burdened by the censure of outside shareholders. However, some private groups are today among the most highly geared and their spending power is now curbed.

In retrospect many investors and bankers have also come to question the notion that media would become a global business. Many companies used this argument – the need to become global – as a justification for the high prices they paid for acquisitions. Reed International, the UK publisher, said it could achieve economies of scale when it paid £550m in 1987 for the book publisher Octopus; Time and Warner justified their $14bn (£7.7bn) merger on that basis too; so did Mr Murdoch when he bought Collins books, and merged it with Harper Row in the US.

Such acquisitive companies enjoyed two classic advantages in arguing that in media, size does pay. First, in the film industry, and in records, or books, executives are painfully aware that creative success – what makes a hit – remains unpredictable. So the chances of creating a winner are enhanced by having as large a "laboratory" as possible in which to develop and produce ideas. Small media companies without the means to set up a large creative "laboratory" may go for years without a popular hit.

Second, many media businesses – particularly films, television programmes, and books – "sink their costs" up front – they spend a greater part of the total investment at the outset in creating the film or book. The costs of then marketing the film or book are relatively small. It is, therefore, critical to win as wide an audience as possible; the wider the audience the greater the profit.

Such arguments were widely used by the big media groups in the 1980s to justify their appetites. But the dismal performances of these groups, coupled with the recession, has somewhat undermined them.

First, economies of scale proved elusive for many. Wall Street analysts have commented that Time Warner has been disappointingly slow to make the cost cuts they expected, one of the reasons why its debt remains so high.

Second, successful examples of truly global media businesses are scarce – where different countries with different cultures share the same taste. Businesses that travel well tend to be specialised – Elsevier, the Dutch publishing group, is the world's leader in science journals and most of its publications are read outside the Netherlands. More than two-thirds of Reuters' revenues from financial information are outside its UK base.

Sony, the Japanese electronics giant which paid $3.4bn (£1.88bn) for the Hollywood studio Columbia Pictures in 1989, and Matsushita, Sony's rival, which paid $6.6bn (£3.66bn) for the MCA studio last year made one of the biggest media investments ever on the assumption that films are a global product – the next few years will show whether that is correct.

Yet these examples are few and far between. While some media groups do manage to diversify or extend their world-wide operations, most concentrate on their home market, from where most of their business is derived. The large, print-based groups such as Gannett and Knight Ridder unsurprisingly are mainly English-language based, and mainly American. Reed International, the UK publisher which has a £1.58bn turnover and is one of the 20 largest media groups in the world, divides its business between the UK and US.

The same dependence on domestic revenues is true of many of the leading European groups. The German publisher Bertelsmann and its rivals Axel Springer and Burda were granted magazine, book and newspaper publication rights after the second world war. These allowed the publishers to dominate their markets, even though the licence rules were gradually liberalised, and laws discouraging media cartels introduced in 1976.

In Italy, Mr Silvio Berlusconi, the property tycoon, has been allowed to gain control of several TV stations through his holding company Fininvest, and is estimated to control more than a fifth of Italian weekly magazine sales.

Most of these European groups have only just started to experiment with doing business outside their national boundaries. They have not yet managed to demonstrate that the media industry is truly international. But they will have an opportunity to test that proposition as acquisition prices fall, bargains appear on the market, and rivals are busy repairing their balance sheets.

Among the best-placed companies to expand in the decade ahead is Reed International. It is known to be interested in companies within Mr Maxwell's empire, in particular Official Airlines Guide, the US travel directories business, which Mr Maxwell bought for $750m (£416m) in 1988; Reed hopes to pay a lower price.

Bertelsmann which, like Reed, held back from the media takeover race in the 1980s, is similarly well-placed: it has announced that it plans to spend DM 9.5bn (£3.3bn) in the next three years, on German pay-TV, new newspapers in east Germany, and possibly on new ITV licences in the UK, if stakes become available.

Companies such as Reed and Bertelsmann, now searching for cheap acquisitions, have ruled out paying the dizzy prices of the 1980s. They will not have to, for as they happily concede, there are plenty of bargains to be had. It is these companies, and not Murdoch and Time Warner, which may yet emerge as the winners.

PERSONAL VIEW

How to get London moving

By Tony Travers and Stephen Glaister

London's public transport system is suffering from decades of under-investment and new funding has yet to solve most of its severe problems. Something must be done.

Several reports have been published on the capital's transport problems. Some of these have included proposals for more spending on investment or fares subsidy. But it is rare for such proposals to include ways of funding. Nor is the public given the information in a form which would allow it to express a view about the choices on offer.

So what are the best means of raising additional sums to revive a service sorely in need of greater investment? There are five principal ways of raising the extra money:

- Road pricing;
- A development levy or supplementary business rates;
- Increasing the existing national non-domestic rate (NNDR);
- Large fare increases; and

Private sector contributions to new rail lines.

It would be possible, for example, to use roads more effectively. At present road space is rationed by queuing. Road pricing could reduce congestion so that it would be easier to run bus services. London Transport estimates that if the 3mph loss in bus speeds since the mid-1970s could be restored, the savings to buses would amount to £65m a year (largely because in a faster service, fewer buses would be required) and the benefit to passengers would exceed £120m per year. The yield from road pricing could be invested in the transport system.

If bus services could be made more effective, their expansion would be a reasonable alternative to new London Underground lines. Some £1m will buy 10 new double-decker buses. Investment in buses is one tenth of that on the Underground.

Whatever might be done by road pricing and buses, there will be continuing demands to upgrade and extend the existing tube and suburban rail systems. British Rail and London Transport's list of government-approved projects for the next decade or so includes the east-west Crossrail, the Jubilee Line extension and the Chelsea-Hackney Line (each costing at least £1bn at today's prices). BR requires several billion to bring its system up to date.

One of these projects – the Jubilee Line – has received some private support and should be completed by 1996. The others are unlikely to be completed before 2000 and do not, at present, appear likely to be funded by anything other than national taxation.

The alternative options described above have barely been considered. Like standards of service, fare levels have fallen behind incomes or standards of living, while the long-term costs of maintaining the system are much higher than previously thought.

Fare increases can, and should, make a contribution towards funding. But fare increases will not, alone, yield sufficient resources. The government has stated that it would like private sector contributions to new rail lines, but has yet to find an effective mechanism to capture the financial benefits.

Olympia & York, the Canadian company developing Canary Wharf in Docklands, has made voluntary contributions towards the cost of new transport infrastructure. Few other developers have responded likewise. An alternative could be a development levy on properties within a limited distance of a new line.

A further possibility would be a small additional non-domestic rate payment on top of the existing non-domestic rate.

If the extra cash yielded by road pricing, a development levy or supplementary business rates were used as a notional 40-year mortgage to fund transport investment, for every £100m collected an extra £1.2bn worth of infrastructure could be bought at an 8 per cent real rate of interest.

As an example of the many alternatives, all the bus and rail investment proposals outlined above could be funded in full by a 30 per cent increase in fare, together with an 8 pence levy on the NNDR in Greater London, a 4 pence levy on the NNDR in the rest of the south-east and an annual £65m government grant (representing an estimate of traffic congestion benefits).

To date the public has not been given the opportunity to weigh up the cost and benefits of using resources for, say, renovating the existing Underground as against building new lines, or balancing the advantages of new railways against improvements to bus services.

There are choices to be made about priorities for transport investment, about how services might be provided and about financing options. Only when Londoners come to understand the trade-offs, costs and benefits can they send appropriate signals to politicians. At present, decisions affecting the capital's future are being made in ignorance.

This article is based on 'Transport Options for London', published by the Greater London Group, London School of Economics, price £17.50.

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OBSERVER

No longer "M" but "W"

■ Chairman of The Reform Club, sports personality of the year, and now head of MI5. Women are certainly winning a foothold on the bastions of Britain's male-dominated establishment.

True, getting to be chairman of a FT-SE 100 company, CBI director-general or headmaster of Eton might take longer. But their cause is advancing at accelerating speed, and not before time either.

Not a lot is known about the latest star – 56-year-old Stella Rimington, the new director general of The Security Service. She has worked in it for 22 years, and is currently at deputy level.

Since no one is able to interview, let alone photograph her, we shall just have to take the government's word that she's the best person for the job. Which raises the thought that, while US-Congress-style hearings are not the right answer for such sensitive appointments as this one, UK ministers have so far done little to honour their commitment to greater public scrutiny of Britain's intelligence services.

Indeed, there is a danger that the hullabaloo about the appointment of Britain's first spy mistress, is obscuring a bigger reshuffle. Sir Percy Cradock, the prime minister's foreign policy adviser and chairman of the joint intelligence committee, retires in May, and Sir Colin McColl, head of MI6, is 60 in September.

Perhaps it is time that the government merged all its intelligence gathering bodies and appointed a chief spook.

Ear bending

■ *The indefatigable Yuichiro* Nagatomi, recently retired from a top job at the Japanese Ministry of Finance, has decided foreign financial company executives need help in making their views known to his former colleagues there.

So – wearing his new hat as director-general of Quick Research Institute, a privately-owned think tank – he has established a committee made up mostly of executives from foreign banks and securities companies. Rejoicing in the title of "the committee of how to make Tokyo financial markets more transparent and international" or CTTI for short, the group intends to prepare a report on further market liberalisation and present it to the finance ministry next summer.

Whereas sceptics might suppose the ministry already has enough committees and reports, Nagatomi thinks foreign companies need to co-ordinate their views. Although some of the executives he approached claimed they were too busy to join his committee, he says, others hailed it as a good idea.

No doubt the committee members will be hoping that Nagatomi, a former director-general of the national tax agency, will be able to use his considerable influence to make sure their ideas are heard where it most counts.

Clark's exit

■ It will come as no great surprise that 44-year-old Stephen Clark, the County NatWest finance director acquitted of being part of the alleged Blue Arrow rights issue fraud, has now left the bank.

Part of Clark's successful defence was to allege that senior NatWest management conspired with Bank of England *officials unfairly* to blame those at the merchant *bank involved in running* the issue. This allegation was *denied by witnesses from* NatWest and the Bank.

Unlike Alan Keat, the solicitor acquitted of joining the conspiracy who is now back at work with his old firm of Travers Smith Braithwaite, Clark's career prospects at NatWest were probably limited. Since Clark had worked for the group since 1965, it is nice to know that NatWest has done the honourable thing and rewarded him with a leaving package. Pity the terms had to be kept confidential.

"This satellite photo clearly shows nuclear war heads changing hands at a Minsk car-boot sale"

League leader

■ The turmoils of England's soccer game have kicked up a counter-example to St Matthew's ruling that prophets are not without honour, save in their own backyard. The exception is Rick Parry, seen as a virtual certainty to the first chief executive of English football's new premier league.

While the question on Londoners' lips is "Who he?," nobody needs to ask in Manchester, *where he was director* of the city's bid to stage the *1996 Olympics.*

A product of Ellesmere Port Grammar School and Liverpool University, he trained as an accountant with Ernst & Young. He then worked as financial controller of Hoseasons, the canal holiday cruise firm, but came to public notice when Ernst & Young seconded him to run the Phoenix Initiative in Manchester, a charitable inner city project.

From there, he became involved with the Olympics bid as one of a large team put together by theatre impresario Bob Scott, who incidentally met the prime minister yesterday to woo support for Manchester's attempt to stage the games of 2000.

By his work on the previous bid, Parry undoubtedly proved himself in the arcane world of sports politics as well as picking up the diplomatic skills to deal with the International Olympic Committee.

Baptism of fire

■ Still on the subject of the premier league, Parry's new boss, Barclays' mild-mannered Sir John Quinton must be wondering what he has let himself in for.

Just a week into the job and he has already upset Gordon Taylor, the rather sensible boss of the Professional Footballers' Association. "He has got a big shock coming if he thinks he can equate professional footballers to his bank tellers," says Taylor.

Even worse, Sir John seems to have got on the wrong side of TV chat show host Michael Parkinson, who says that "if the Premier League is to be the cock-up it promises, then who better to have in charge than someone from an industry which thought the late owner of Oxford United was a man you could lend money to."

Optimist

■ *What's the definition of an* optimistic central banker?

One who sees the situation deteriorating less rapidly than before.

Chess player moves to a bigger board

President Leonid Kravchuk outlines his plans for an independent Ukraine to Chrystia Freeland

Russian historians have described Ukraine as the cradle of the Russian empire but Mr Leonid Kravchuk, the Ukrainian president, says gravedigger is a more apt sobriquet. In an interview with the FT yesterday, Mr Kravchuk contended that Ukraine's drive for independence caused the collapse of the Soviet Union.

"The empire which endured for 337 years no longer exists, and Ukraine is the author of its destruction," the second most powerful man in the enfeebled Soviet Union explained. "For me, this is a source of great personal pride."

The silver-haired peasant's son from traditionally nationalist western Ukraine is an avid chess player, but this month he has skilfully manipulated the pieces on a much larger board. According to 57-year-old Mr Kravchuk, "the state of the union hinged on Ukraine" because the other crucial player, Russia, was only willing to enter the renewed federation championed by Soviet President Mikhail Gorbachev if Ukraine joined too.

'No one can restrict the introduction of a separate currency; it is a matter for each state'

Faced with Mr Kravchuk's categorical refusal, Mr Boris Yeltsin, the Russian president, agreed to annul the union and form a far looser commonwealth between the republics of Russia, Ukraine and Belorussia instead.

Mr Kravchuk regards the deal, hammered out in a dacha outside Brest, Belorussia, as a victory for Ukraine. It compelled Russia and Belorussia to recognise Ukrainian independence and to side with it in what Mr Kravchuk feared would otherwise have been a David and Goliath showdown with the central government.

The chief casualty is Mr Gorbachev. After making the requisite nod to the wavering leader's "historic significance" Mr Kravchuk firmly insisted that "there is no role for him in those structures we are proposing".

But as the Soviet president exits the scene, a new struggle is shaping up between the two strongest republics – Ukraine and Russia. Mr Kravchuk is eager to paper over the differences, insisting that there are "no principled disagreements" between the two Slavic strongmen. But his uncompromising view that the new commonwealth must play a purely "consultative and organisational but not administrative" role is likely to collide with Russia's efforts to create a body with real decision-making powers.

"Right now we must monitor the situation very carefully so that no one tries to stand above anyone else," Mr Kravchuk said. "If there is any effort to do this then the commonwealth will fall apart because Ukraine will never agree to be subordinated."

Yet in two important areas – the military and the economy – Ukraine and Russia are advancing rival interpretations of the agreement less than 10 days after it was signed.

Mr Kravchuk, who issued a presidential decree last week naming himself commander-in-chief of the Soviet army stationed on Ukrainian territory, said that the Ukrainian minister of defence now had effective and exclusive control over the conventional forces in Ukraine. Last week, Mr Yevgeny Shaposhnikov, Soviet minister of defence, and Mr Yeltsin, maintained that the Soviet armed forces should remain under central control.

In the field of tactical and strategic nuclear weapons, Mr Kravchuk was careful to reiterate his view that they should all remain under the control of Marshal Shaposhnikov and that Ukraine did not intend to take them over. Indeed, he went so far as to say that Ukraine planned to destroy the nuclear weapons – which include nearly 90 per cent of the Soviet Union's most modern silo-based missiles – on its territory as quickly as possible: the only constraint is cost and the lack of facilities. He is willing to allow the US and international organisations to monitor closely the dismantling process.

His position should go some way towards easing US fears over safeguarding the Soviet nuclear arsenal. Mr James Baker, US secretary of state, is scheduled to visit the Ukrainian capital Kiev tomorrow where Mr Kravchuk expects him to look for guarantees that Ukraine will be nuclear-free. Still, Mr Kravchuk, who admitted that American recognition of an independent Ukraine was "important", said he would be a tough negotiator when he met Mr Baker. "It is unpleasant for us when others set us conditions," he said.

He speaks with the authority of a man who won the first democratic presidential elections in Ukrainian history on the strength of his reputation as a coalition builder, who could unite both the hardline communist apparatus which controls much of southern and eastern Ukraine and the radical nationalists who dominate western Ukraine.

Turning to the economy, Mr Kravchuk contested the Russian assertion that an economic agreement, signed together with the commonwealth treaty, binds its signatories to raise prices simultaneously on January 2. He said Ukraine would not raise prices at all unless Russia supplied it with a promised 16bn roubles. Without them, Ukraine would be physically unable to match Russian price rises because there would not be enough money in circulation for people to pay higher prices for goods.

If the additional roubles materialise "then we will liberalise prices, though not necessarily on January 2, perhaps on January 15," Mr Kravchuk speculated.

A further issue of possible discord between Ukraine and Russia is the question of a separate currency. While Russia's deputy prime minister and economics minister, Mr Egor Gaidar, is under the impression that Ukraine has agreed not to introduce a separate currency for the next 12 months, Mr Kravchuk said Ukraine was likely to bring in the hryvnia by late summer.

"No one can restrict or ban the introduction of a separate currency; it is a matter for each state," Mr Kravchuk said, explaining that the economic treaty only commits Ukraine to reach an agreement with the other republics about the mechanisms for bringing in the new currency.

Mr Kravchuk, who has been wooed by an unbroken succession of foreign officials in the two weeks since the Ukrainian elections and referendum, backed up his economic policies by quoting Russia's own adviser – Professor Jeffrey Sachs, a Harvard economist. In a meeting on Saturday Prof Sachs "said this is not a tragedy for other states when one of them introduces its own currency", according to Mr Kravchuk.

The Ukrainian leader is less zealous about Prof Sachs' other advice – that the republic cure its ailing economy with the shock therapy he pioneered in Poland. Mr Kravchuk argues that Ukraine lacks the banking infrastructure, balanced budget and developed private sector which he believes are prerequisites for radical economic reform.

Indeed, extreme measures of any kind are anathema to Mr Kravchuk. His incremental approach is exemplified by his strategy for eking out a new geo-political niche for Ukraine. He admits that in the long run Ukraine would like to become a member of the European Community, but said that "desires and reality are very different things". He believes that in the short term Ukraine must focus on its relationship with its eastern European neighbours and with other former Soviet republics.

But there is a question-mark over his conversion from the role of ideology secretary of the central committee of the Communist party of Ukraine, to that of a proponent of the market and a supporter of a degree of political pluralism.

Though he spearheaded the campaign against the nationalist movement Rukh in 1989, Mr Kravchuk now says he plans to include members of the nationalist opposition in his cabinet. He says that if at times he has kept silent it has been a gambit to ensure that the Ukraine would achieve statehood peacefully. A shaky justification perhaps, but Ukrainian dissidents who have spent decades in prison on the orders of Mr Kravchuk's former comrades seem willing to believe in his conversion.

They have united behind him in the belief that the party taught Mr Kravchuk the cunning he will need to steer Ukraine out of three centuries of a Russian embrace. They also believe that Mr Kravchuk has made a crucial switch in loyalties, embodied by a symbolic piece of interior redecoration: the Lenin bust which once dominated his office has been replaced by a statue of Taras Shevchenko, the national poet of Ukraine.

Joe Rogaly

Carbon tax on its way

The European Union, as we must soon learn to call it, is likely to have a carbon tax in place by 1995 or thereabouts. I say this because the important part of the British government, the Treasury, is gently leading the domestic debate – and for once without malicious intent. One of its senior stars is in charge of the research and modelling. It would be going too far to say that the department that prides itself on unbending fiscal rectitude has become a friend of the earth, but it *is* reflecting just the palest of greenish tinges.

This is of greater significance than Friday's affirmation by Mr Michael Heseltine, the UK environment secretary, that "we believe that in principle it (the carbon tax) is something we must explore". Any government minister can say that kind of thing at any time, and frequently does. Mr Heseltine's remark followed a meeting of EC environment and energy ministers, which agreed on a proposal that an energy tax be introduced in stages starting in 1993. He could hardly have said less.

Yet Britain is in a pivotal position on this tax, according to Mr Nigel Haigh, director of the Institute for European Environmental Policy, London. If it swings with the heavies, Europe will get one. Germany, France, The Netherlands and Denmark are enthusiasts. Italy will proclaim enthusiasm. The remaining smaller members of the EC are strong doubters, led by Spain. Britain is saying "yes, but ..." This keeps the plan alive.

The international politics of this proposal are labyrinthine. As put by the European Commission, half the tax would fall on energy in general, and half on fossil fuels. That was done to please the French, who depend on nuclear power. The British government, with its famous concern *for social policy*, has arranged that one of the Treasury models should analyse the effect of a fossil fuel tax on the poor. That is for eventual domestic *political consumption*. The commission wants to exempt energy-intensive industries from paying energy tax. That would seem to be self-defeating, but its inspiration was pressure from the chemical, cement and similar industries. Its rationale is that Europe would be at a competitive disadvantage unless the US and Japan imposed similar fiscal burdens upon their own shoulders.

The chances of getting the US and Japan to participate are slim. One positive factor *is the departure from the* White House of Mr John Sununu, a passionate flat-earther. It was in May that Mr Heseltine was urged by some of his EC colleagues to fly to Washington. His task was to persuade the US government to move from its adamant *opposition to targets for* reductions in greenhouse gas emissions. The environment secretary could not budge Mr Sununu, even over a friendly dinner. So he turned away from trying to get the Americans to agree to targets. I suspect that now that Mr Sununu is retreating into history, small green shoots are to be discerned in parts of the federal capital.

I suspect that now Sununu is retreating into history, small green shoots are to be discerned

If President Bush does not stamp on them with his Texas oilman's boots this could have a positive effect on the forthcoming United Nations conference on the environment and development.

Known as the Earth summit, this is to be held in Rio in June. Not too much money should be put on an American change of heart in Rio, however. Nothing discovered by meteorologists has yet frightened the US sufficiently to encourage its politicians to interfere with cheap gasoline and low-priced home heating oil. The only leverage in the EC's hands is persuasion and continued pressure. A modest contribution might be the publication of some of the excellent papers the Treasury *is preparing for inter-departmental use.*

The logical outcome of this global diplomacy is likely to be an EC-only tax diluted by exemptions for whichever industries are seen to be at a competitive disadvantage. That means that initially the European energy, or carbon, tax would boil down to an impost on European cars and domestic heating, period. In short, it would hit private consumers, not industry. Its principal effect on the level of atmospheric pollution of the planet would be *symbolic* – although in some cities, like obnoxious London last week, a curb on exhaust emissions is becoming urgent.

Yet symbolism is important. The political union treaty agreed at Maastricht sets as a community objective "*sustainable and non-inflationary* growth respecting the environment", which is quite an advance on the "continuous and balanced expansion" of the original *Rome Treaty*. A similar implied green brake on unbridled development can be discerned in the Single European Act, although not so clearly.

Last week's treaty also extended majority voting to all aspects of environmental policy except fiscal policy (the energy tax would have to be agreed unanimously), town and country planning, and, in certain circumstances, energy strategies. Water and waste management come under the majority procedure. Thus industrial effluents will be subject to close supervision from Brussels.

There is some debate about whether this is much of an advance on the position established by a Commission victory in the European Court of Justice earlier this year, but that is for the technicians and drafters of the final treaty to establish.

Three years ago Britain was as irascible about EC environmental initiatives as it is today about the single currency and the social charter. There are some commission initiatives that should be opposed as mere bureaucratic pettifogging, such as the intrusion into local planning matters. Sneaky attempts to extend EC competence beyond the intentions of the treaty are often made. They should always be resisted. But today the British intention is to be co-operative. If it stays that way, we'll get an energy tax.

LETTERS

Washington offers example to solve London's transport problems

From Mr Nigel Seymer.

Sir, In your leader on London's future ("Mr Heseltine's view of London", December 13), you say that "what Mr Heseltine lacks are precise ideas" for achieving a better London. *I should be glad to* offer him several; and these do fit into my own "coherent vision of London's transport" (you say no such vision exists).

One idea is that London should emulate the example of Washington by adopting a programme of transportation demand management to discourage people from driving one-per-car into London at peak times (road pricing would not achieve this; the "fat cats" *would still roll in one-per-car*, while the less affluent were priced off). The programme includes facilitating the formation of car pools (ride sharing); *provision of park-and-ride facilities*; the favouring of car pools by employers; and the introduction of "HOV (High Occupancy Vehicles) lines", reserved in peak hours for buses, vans and cars with at least three occupants.

This programme has proved acceptable in a car-owning democracy, whereas so far road pricing has not (and, even if it were so accepted, the Washington measures are *surely still desirable*). But policy-makers in the UK turn a blind eye to this experience.

The other basic idea is a recognition of the fact that new *office developments* will generate new traffic and thus will further overload transport facilities, unless the capacity of these is increased, which is very expensive and disruptive. At King's Cross, for example, there is concern in some quarters that the proposed Channel *Tunnel terminal would over*load the streets. But Camden planners have told me that two-thirds of the expected increased load on the street system there (amounting to 60 per cent on Euston Road, which is already overloaded) would result from the proposed massive office development, and only one-third from the rail terminals.

It was Department of Transport officials who raised this *scare quite late in the hearings* on the King's Cross Bill. But if it is worried about overloading the streets it ought to object to the office development.

Nigel Seymer,
63 Esmond Road, London W14

Charity trustees' liability risk

From Mr Andrew Crawford.

Sir, Alison Smith's article ("Charity Bill", December 13) reporting on the amendments made in committee to the Charities Bill – giving trustees wider investment powers – may enable some charity trust*ees to sleep more easily for the* time being.

Those trustees and their investment advisers struggling to operate within the restrictions of the 30-year-old Trustee Investments Act 1961 will be only too aware of the risk of an inadvertent breach of trust arising from the misinterpretation of the Act. Such a breach of trust may lead to personal liability for those trustees.

It will be interesting to see *whether MPs share similar* concerns to those of the Lords.

Andrew Crawford,
Cameron Markby Hewitt,
Sceptre Court,
40 Tower Hill, London EC3

The losers in the Lasmo bid

From Mr P N Bowker.

Sir, Page eight of Lasmo's offer document for Ultramar is entitled "Lasmo – delivering value to shareholders." This rings pretty hollow to Lasmo shareholders just now. Ultramar may have to yield to Lasmo but it looks like being a contest in which shareholders of neither side will win. In view of the appalling public relations which Lasmo has suffered as a result of this bid, could it be that the bid will go down as the one in which senior management of both companies was replaced?

P N Bowker,
4 Riverside,
Banchory,
Kincardineshire

Ofwat strategy on metering

From Mr I.C.R. Byatt.

Sir, My recently published strategy on future methods of paying for water argues for a selective approach to metering. I am, however, concerned that there has been some misreporting of my comments ("Ofwat backs metered water for most areas", December 13) about the *cost of metering, and would* like to set the record straight.

I have not said that installing meters would increase bills by £24 a year. I have deliberately not advocated a cash programme of universal metering which could possibly have an effect of this kind. Moreover, I am not contemplating adjustments to price limits which would permit this.

One strand of my strategy is selective metering in areas *where water resources are* under pressure. In such cases, companies will pay for the installation of meters, but will save money through deferring expenditure on resource development. The effect on bills should be small.

The second strand is to make it easier for customers to choose meters where they can reduce their bills. In such cases it is only fair to ask customers to contribute to the cost of installation.

I.C.R. Byatt,
Ofwat,
Centre City Tower,
7 Hill Street, Birmingham

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

UK approach at Maastricht akin to political emergency first aid

From Miss Fiona Webster.

Sir, There are strong signs that the UK government has adopted an approach to EC social policy in Maastricht which is akin to political emergency first aid.

The prime minister and the employment secretary claim that the special protocol which provides for Britain to opt out of the EC's expanded social competencies and use of qualified majority voting is good for British industry. This up-beat approach does not seem to *tally with reality.*

While the other 11 member states have signed up to a more expansive EC social policy and an increased application of qualified majority voting, the protocol stipulates that this will not apply to Britain. Meanwhile the Labour party has stated that, if it were to be elected in 1992, it would immediately scrap this opt-out clause for Britain before its anticipated implementation in 1993.

Even more unsettling is the possibility that, if Labour were not elected to government next year, its election at a future date could mean that Britain would have to comply with a *raft of* EC employment legislation over which it had had no shaping influence. Britain found itself doing just this in 1973; what a sorry tale that history will repeat itself, as well as setting an unwelcome precedent for the EC's future integration process!

It is very unlikely, too, that Japanese and US industry will flood into Britain simply because of reduced labour costs. Such companies locate in the EC on the basis of strategy not expediency; they will want to be at the nerve-centre of the Community and not isolated on the political fringes. In any event, multinationals will have to respond to trends and pressures across the Community – employees do not need EC-wide European works councils in order to communicate with each other.

Ironically, the British government seems inadvertently to have ceded more power to the European parliament, where Britain's 81 MEPs may enjoy more opportunities to influence the shape of future employment legislation through the co-operation procedure than the British government will enjoy in the Council of Ministers under the protocol. I am sure that British MEPs look forward to the prospect of Mr Howard reporting to them!

Fiona Webster
55 rue de la Madeleine
1000 Brussels,
Belgium

FINANCIAL TIMES
Tuesday December 17 1991

The Soviet chain of command always led to the Kremlin: the future is less sure

Moscow faces nuclear button dilemma

By John Lloyd in Moscow

NO ONE is quite sure just what is the Soviet chain of command over nuclear weapons – perhaps not even the Soviets.

When Mr James Baker, the US secretary of state, grapples with the post-Soviet leaders over the control of these weapons, he himself is likely to be partly in the dark, and to be talking to people who are also unsure of what they are talking about.

His hosts have assured him and the world that the nuclear forces are under full control. In part this can be taken at face value: Soviet forces, as far as is known, are at least as secure as those of the US. In some cases, the weapons are kept apart from their delivery systems; most procedures need collusion between different levels of command, making the so-called "Madman Scenario" all but impossible; security at launch sites, at least of strategic weapons, is in the hands of special forces who remain (as far as is known) intact; and a variety of closed circuits, atmospheric sensors and coded switches protect the weapons from misuse or detonation.

The recent "Soviet Nuclear Fission" report from the Center for Science and International Affairs at Harvard's Kennedy School decribes these as "multiple but not absolute" safety devices. It might be added that probably no such devices can be absolute.

The problem is not so much of security, but of command and control systems. These are much more than a Presidential Button. They are, in Soviet terms as elsewhere, a vast system of warning stations, monitoring and command built up over four decades in an effort to ensure as complete security as possible. Because of the system's age, and the very large number of production, storage, inspection, monitoring, communication and security installations, no one person or group is likely to have a complete grasp of its workings. It is assumed to work but, of course, could only be fully tested in a real nuclear exchange.

Further, though much of the system is based on the huge Russian landmass, some Soviet early warning satellites are launched from Kazakhstan and many of the radars are outside of the Russian Republic, in the Baltics and in the western states of Ukraine and Belorussia.

All of the command and control network leads to Moscow, but not everything, as far as is known, directly to the Presidential Button. The apex of the command system is thought to be more diffuse than in the west: the authors of Soviet Nuclear Fission believe that, while the senior political figure cannot launch a strike without the military, the military could probably do so without the president – but only after a general consensus was available among top-ranking figures that it was desirable or inevitable.

However, the fact that the system does lead back to Moscow poses a large problem for the post-Soviet age. Up to yesterday, in the only available vision of how Soviet nuclear weaponry would be controlled (that of Ukrainian president Leonid Kravchuk), the leaders of each of the nations which make up the new Commonwealth of Independent States in which nuclear arms are situated would have his own button.

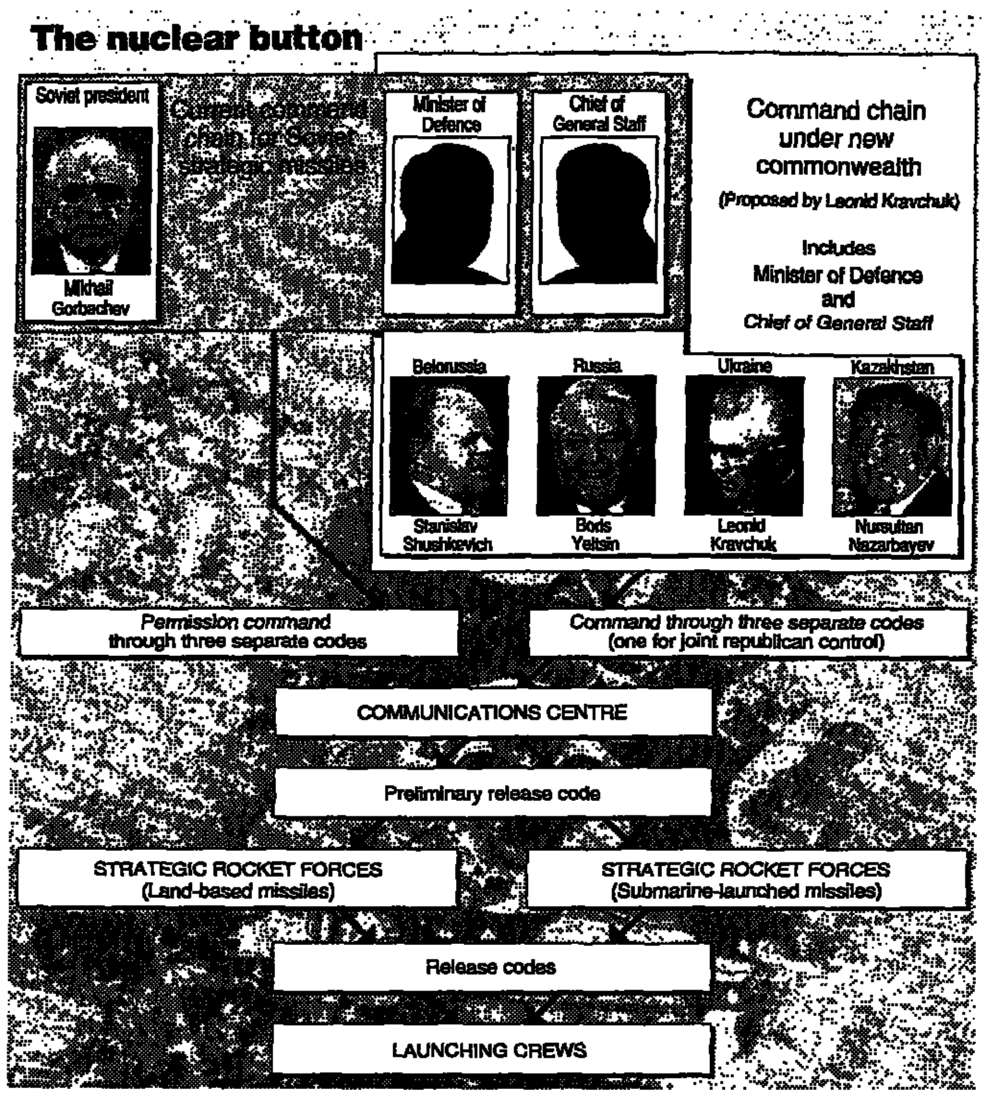
Assuming that Kazakhstan president Nursultan Nazarbayev joins the nuclear club, this would mean four buttons spread across half a continent, from Alma Ata in Central Asia through Moscow to Kiev and Minsk. Alma Ata is nearer Beijing than it is to Minsk; Minsk is half the distance from London than from Alma Ata.

Yesterday, both Mr Yeltsin and Mr Kravchuk said that they no longer wanted separate buttons, but one button under joint political control. However, just exactly whose finger would be there was not made clear.

Nevertheless, even to make this vision feasible, the four leaders would have to be linked into a system constructed for the use of one, in order to have the required amount of information quickly enough to make joint consultation meaningful.

While the president of Russia could hope to have available a relatively complete system, the other three could not. Such systems could be constructed, but they would be costly, time consuming and difficult to render secure.

This now appears to be what is demanded. Much more difficult would be any attempt to render them "independent" strategic nuclear powers – a proposition none have demanded, but one which must have occurred to them, and one which may yet appear in public debate.



Main concern in west focused on shorter-range tactical weapons

By David White, Defence Correspondent, in London

PROCEDURES to keep Soviet nuclear weapons under safe control are believed to have been strengthened since the coup attempt in August.

The system that must be followed before a strategic weapon can be launched is thought to mirror the US model closely. It involves personal electronic codes and repeated verification as the order passes through several layers of command.

Less is known about control arrangements for shorter-range tactical nuclear weapons, which have become the main focus of concern. To enable these weapons to be used in a fast-moving battle, it is thought that regional commanders would be allowed to exercise greater autonomy once the initial permission was received.

The only strategic missiles outside the Russian Federation are in Ukraine, Belorussia and Kazakhstan, and account for 20 per cent of the total at most. All the command and control centres are in Russia, as are the ports for nuclear-armed submarines and most of the nuclear storage sites.

Tactical weapons, on the other hand, were until recently spread throughout the republics, although most nuclear weapons in the Transcaucasus and Moldova, as well as the Baltic states, are believed to have been removed. Western defence officials said the majority were believed to be in central storage depots. They considered that nuclear weapons sites were physically well protected by KGB troops.

Confidence in the safety procedures depends on the existence of a clearly identified central authority. This is required not only to secure overall control over the nuclear arsenal but also to implement the unratified Start treaty on strategic arms and to carry out the promised destruction of short-range land-based weapons.

Liquidator to probe share deals by Maxwell lawyer

By Richard Gourlay and Raymond Hughes in London and Alan Friedman in New York

THE DISCLOSURE in a London court yesterday that Mr Robert Maxwell's New York lawyer dealt in shares in Maxwell Communication Corporation and Mirror Group Newspapers could block Mr Kevin Maxwell's return to New York *later this* week.

The High Court was told yesterday that Mr Shelley Aboff, senior vice president of the New York Daily News – of which Mr Kevin Maxwell is chairman – had borrowed £3m ($5.4m) from a private Maxwell company to buy the shares before Mr Maxwell died.

The court also heard yesterday that Mr Kevin Maxwell was invoking his legal right to silence in response to High Court orders requiring him to say what he knows about assets transferred from MGN and *Maxwell companies'* pension funds.

It was a letter from Mr Aboff, saying Mr Kevin Maxwell's presence in New York was essential, that helped the publisher's son to retrieve his passport last week after its surrender had been ordered.

The provisional liquidator of Bishopsgate Investment Management (BIM), which managed Maxwell company pension funds, said he would need to make "urgent inquiries" into the share dealings. He was concerned to know whether there was any connection between the share purchases and the £427m currently missing from Maxwell pension funds.

Mr Justice Harman said he would decide tomorrow whether Mr Kevin Maxwell could travel to New York the following day. He also deferred an application from Mr Ian Maxwell for return of his passport for a visit to his in-laws in the US over Christmas.

Mr Aboff is a long-standing associate of the late Robert Maxwell. He was named to the *board of the New York Daily* News shortly before the Maxwell-owned newspaper filed for bankruptcy earlier this month.

Mr Aboff was one of several new directors appointed personally by Mr Robert Maxwell at London and Bishopsgate Investment International, another private Maxwell company, three months ago.

Mr Philip Heslop QC, for BIM, said that liquidators' solicitors last Friday received a call from lawyers representing Townsley, the stockbrokers, saying that they were concerned Mr Aboff had been in danger of breaching the Companies Act.

Mr Aboff had taken a £3.1m loan from London and Bishopsgate Group, another Maxwell private company, before October 8 to buy MGN and MCC shares.

Mr Aboff was also chief executive of Thomas Cook America, 50 per cent owned by Robert Maxwell Group, and Townsley became concerned that the transaction might be a case of a company providing financial assistance for the *purchase its own shares* in breach of company law.

Mr Aboff had told Townsley *that he had a "client/customer"* relationship with London & Bishopsgate Group which had lent him the money to buy the shares on his own behalf.

The judge was told Mr Kevin Maxwell *had decided to rely on* his privilege against possible self-incrimination in civil actions against him by BIM and MGN.

His counsel, Mr Michael Briggs, said Mr Maxwell had complied with part of the BIM *order but had had to decide* whether he could answer other questions without risking self-*incrimination*.

He would be asking the court to excuse him from further compliance with the disclosure orders.

The BIM order requires Mr Kevin Maxwell to give BIM's provisional liquidator informa*tion about transactions or deal*ings in BIM assets since October 1989.

He is also required to identify the individuals who authorised transactions, the places, dates and purposes of the transactions and the mechanism by which they were authorised. Also to identify anyone who received any beneficial interest in any assets and the assets' present whereabouts.

The MGN order directed Mr Kevin Maxwell to disclose his knowledge of payments from MGN in which he had been involved.

Mr Philip Heslop QC, for BIM, said its order was intended to locate the assets and, so far as they were in banks, why they were there and how they got there.

Background, Page 24

UK manufacturing faces prospect of 'double-dip' recession

By Peter Marsh, Economics Staff, in London

BRITAIN'S manufacturing industry, which the government hopes will help pull the *economy into recovery, faces* the prospect of a "double-dip" recession, official figures *suggested yesterday.*

A sharp underlying fall in factory production since the summer suggests the manufacturing sector has started to run out of steam and that the outlook is even more bleak as export markets such as the US weaken.

According to the Central Statistical Office (CSO), manufacturing output dropped a seasonally adjusted 0.4 per cent in October compared with the *previous month. This followed* a 0.3 per cent fall in September.

On a three-monthly basis, *which gives a clearer picture of* underlying trends, factory production between August and *October was down 1 per cent* compared with the May-July period, the biggest three-monthly fall since April.

A weak manufacturing sector would place a question mark over the pace of the expected UK upturn and undermine the government's case in the run-up to a general election that the economy is on the mend.

Mr John Major, the UK prime minister, yesterday *insisted in a House of Com*mons reply that "conditions necessary for resumed growth *have now been established*". Mr Gordon Brown, the opposition trade secretary, went on the attack, saying the news "made a mockery of government claims about a strong end-of-year recovery".

The decline has set in after *several months in which fac*tory output – which accounts for just over a fifth of gross *domestic product and strongly* influences other sectors such as services – had appeared to stabilise after the heavy falls in late 1990 and early this year. The Treasury's Autumn Statement last month said manufacturing output would increase by 3.25 per cent next year.

News of the decline in factory production took the gloss off a rise in retail sales volumes in November. The three-monthly drop in manufactur*ing output was especially* marked for engineering products and cars, demand for *which had been buoyed in the* summer by strong buying pressure from overseas.

*It increased fears that falter*ing growth in big export markets – especially Germany and the US – could delay or inhibit the upturn. Worries about the US economy were heightened by figures yesterday indicating a sharp decline in US industrial production last month.

The Treasury put a brave face on the UK figures, saying "contradictory numbers" were bound to arise as any economy moved out of recession.

The CSO's *retail-trade fig*ures boosted the Treasury's hopes that overall economic output will show a rise in the second six months of 1991 compared with the first half.

No glad tidings, Page 6

THE LEX COLUMN

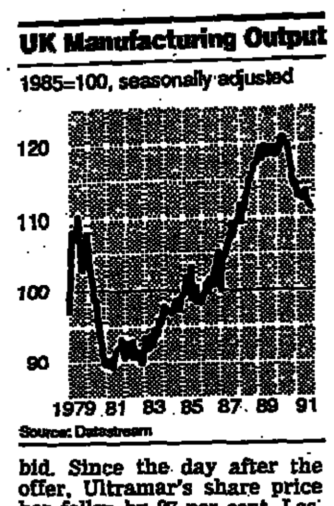
The momentum of recovery

Yesterday's retail sales figures ought in theory to offer a crumb of comfort to those starting to worry about a double-dip UK recession. Even allowing for one-off statistical distortion and the regular margin of error, retail sales volume still grew by some 0.4 per cent, slightly above the consensus expectation. Perhaps December will also be better than anecdotal evidence suggests. But retail sales are still 0.3 per cent down in the latest quarter, which hardly suggests consumers are lending their weight to the recovery.

Since it is too early in the cycle to expect much revival in manufacturing output, it would be wrong to take October's fall in production as evidence of a double dip. But the 2.7 per cent decline in production of capital goods over the past three months hardly suggests an imminent revival in corporate investment either. The latest survey from the Confederation of British Industry holds out little hope for exports. So where is the recovery to find the nourishment it needs?

Were it not for the exchange rate constraint, one answer ought to be in further falls in interest rates. With real short-term rates at 6 per cent, it is not surprising that the recovery lacks momentum. From this perspective, the weakness in the rest of the industrial world may even turn out to have a silver lining. Eventually it should allow the UK authorities to resume the progressive cuts in rates which were halted in September. The problem for the government is not only whether this will happen in time for the election, but also that it may be even harder by that time to find other reasons to feel confident.

FT-SE Index: 2,440.8 (-10.8)



Ultramar/Lasmo

Lasmo's bid for Ultramar ranks as one of the more peculiar takeover battles of recent years. Barring a BTR/Hawker-style late rush of acceptances, the odds are that the bid will fail tomorrow. A move designed to release shareholder value will then have succeeded *in undermining the entire inde*pendent oil sector, Lasmo included. It has shown the asset values which underpin the sector to be misleading when no-one has the cash to pay up. Even if Lasmo wins, a wider recovery will presumably have to wait until that perception changes again.

But after initial enthusiasm, *the market has become* steadily less enamoured of the bid. Since the day after the offer, Ultramar's share price has fallen by 27 per cent, Lasmo's by 18 per cent. *Relative to* the market, Ultramar is very nearly back where it was *before the bid rumours started*, so the share price is not necessarily at risk if the bid fails.

One could argue that to justify its paper bid for Ultramar's assets, Lasmo needed to demonstrate that downstream and upstream operations are incompatible. Granted, the bidder has achieved what Ultramar's shareholders could not: the company has partly cleared out its board and committed itself to financial targets. But if Ultramar survives, its spirited defence may come to be seen as less significant than investors' reasonable reluctance to take on more Lasmo paper. Had Lasmo or anyone else been able to put straight cash on the table, that would doubtless have been the end of it.

House prices

Building societies are professional optimists. So when the *Halifax says UK house prices* will do no more than edge up at the end of next year, it is worth taking note. The society, after all, forecast a 5 per cent rise at the start of 1991, whereas the outcome has been a 3 per cent fall. If that record were repeated, its latest projection for 1992 would in time translate into the sort of melt*down in house prices the* alarmists are now predicting.

There is certainly very little reason to be cheerful. The likely rate of repossessions next year has doubtless been exaggerated in the highly charged political climate. But at roughly 6 per cent of the estimated 1.3m property transactions in 1991, they are *already having more than a* marginal influence on the market. They will exert even more pressure if the volume of house *sales continues to fall*. The government will presumably take action in the run-up to the election to keep people in their homes. But though the idea of *paying mortgage* income support direct to lenders has some short-term attractions, the possibility of an increase in voluntary forfeitures has also to be taken seriously.

On top of repossessions, there is the burden of unsold stock *overhanging* the market. The traditional year-end dash to meet sales targets is likely to extend well into 1992 as the financially straitened contractors continue to run for cash. The question is whether this collective rush for the door will make the write-downs they fear all the more necessary.

MFI

In one obvious sense, MFI's *results are as gruesome as* ever. Though net losses in the past six months are 17 per cent lower, they are still running at £12m. For a management buy-out with debt of £500m, this is a finite process. MFI's answer is to point to its maintained gross margins, unchanged payroll costs and continued reduction in working capital. Assuming its bankers are happy to support it for another 18 months even without an upturn in the furniture market, it could prove a classic recovery play.

If so, the question *is* when it proposes to return to the market. The conventional view is that a lossmaking company cannot hope to pull in investors' funds, not at any rate until it can show some evidence of the effect of market recovery on its bottom line. Just conceivably, MFI might have such evidence in the next *few months*. It depends scarcely at all on the Christmas season – its stores will be closed this weekend – and very much on the January sales, which provide a quarter of annual turnover.

Its aim would then doubtless be to raise enough equity to clear its balance sheet of debt. In that case its net profits, *assuming the 29 per cent rise* in first half operating profit were repeated, would be around £40m for the year. That in turn would require a multiple of 12.5 times to clear the debt. In a sector rated at 17 times, that might not be impossible. If MFI deserves a lower rating on account of the cyclical nature of its markets, it *perhaps deserves a higher one* for having survived at all.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	13	56
Algiers	Dr	12	54
Amsterdam	Fg	3	37
Athens	S	14	57
Bahrain	S	20	68
Bangkok	F	32	90
Barcelona	F	11	52
Beirut		-	-
Belfast	C	5	41
Belgrade	S	1	34
Berlin	F	1	34
Biarritz	S	14	57
Bombay	S	31	88
Bordeaux	S	13	55
Boulogne	C	4	39
Brussels	R	4	39
Budapest	C	0	32
Buenos Aires	C	26	79
Cairo	F	17	63
Cape Town		-	-
Caracas	C	29	84
Casablanca	F	18	64
Chicago		-	-
Cologne	F	2	36
Copenhagen	F	4	39
Corfu	F	13	55
Dallas	S	2	36
Dublin	C	9	48
Dubrovnik		-	-
Edinburgh	C	5	41
Faro	C	16	61
Florence	S	5	41
Frankfurt	S	-4	25
Geneva	C	0	32
Gibraltar	F	15	59
Glasgow	C	7	45
Helsinki	C	-1	30
Hong Kong	S	22	72
Innsbruck	S	-1	30
Inverness	C	2	36
Islamabad	C	21	70
Istanbul	S	8	46
Jakarta	F	30	86
Jersey	F	10	50
Johannesburg		-	-
Lima	F	0	0
Lisbon	Fg	11	52
London	F	9	48
Los Angeles	F	14	57
Luxembourg	C	-4	25
Madeira	S	20	68
Madrid	F	9	48
Majorca	F	13	55
Malaga	F	15	59
Malta	F	14	57
Manchester	C	4	39
Manila	F	30	86
Melbourne	R	15	59
Mexico City	F	0	0
Miami	C	17	63
Milan	S	4	39
Montreal	C	-15	5
Moscow	Sn	-4	25
Munich	S	3	37
Nairobi	C	19	66
Naples	S	12	54
Nassau	C	27	81
New Delhi	S	20	68
New York	S	-1	30
Nice	S	10	50
Nicosia	S	18	64
Oporto	R	11	52
Oslo	F	0	32
Paris	R	5	41
Peking	F	8	46
Prague	S	0	32
Reykjavik	R	5	41
Rhodes	S	15	59
Rio de Janeiro	F	33	91
Rome	S	10	50
Salzburg	S	-1	30
San Francisco	S	7	45
Seoul	F	13	55
Singapore	F	30	86
Stockholm	S	-1	30
Strasbourg	C	-2	28
Sydney	S	26	79
Taipei	F	25	77
Tangier	C	15	59
Tel Aviv	S	16	61
Tenerife	S	20	68
Tokyo	S	14	57
Toronto	S	-13	9
Tunis	S	15	59
Valencia	F	11	52
Venice	S	5	41
Vienna	Fg	-5	23
Warsaw	S	2	36
Washington	S	-3	27
Zurich	C	-4	25

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
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INSIDE

Nike rises 6% in record results

Nike, the US sports shoe and clothes maker, *yesterday announced record second-quarter* results when net income rose 6 per cent to $61.5m or 80 cents a share from $58.1m or 77 cents a year earlier. Analysts were also encouraged by the growth in the company's future orders scheduled for delivery between December and next April, which are 8 per cent higher than the previous year at about $1.4bn. **Page 21**

Global revival for stock markets

World stock markets moved higher last week, after five successive weeks of decline. Europe firmed 1.1 per cent on the week, largely thanks to London. Ireland and Norway both advanced by more than 4 per cent in local currencies and Ireland is set to end the year as one of the world's best markets, having risen more than 15 per cent in local currency terms. **Page 43**

Tyremaker to restructure

Continental, the German tyremaker, is to split its main business division into two profit centres: one servicing the car market and the other specialising in tyres for commercial vehicles. The group also announced the resignation of Mr Ingolf Knaup (left), finance director, saying it was "a normal career move". **Page 20**

Dutch take action on auctions

The Central Bureau of Dutch Horticultural Auctions is setting up an organisation to enable producers to sell their vegetables outside the auction system and give buyers greater price *and supply stability. The changes were triggered by ambitions to extend the Netherlands'* share of the UK fruit and vegetable market – the bureau estimates that the British can double their consumption of Dutch peppers and *quadruple their purchases of Dutch leeks in the* five years ending 1995. **Page 34**

Shadow over Liffe's new floor

The London International Financial Futures Exchange's first day of trading on its new trading floor at Cannon Bridge yesterday was overshadowed by growing uncertainty over the future of stock options trading after Liffe merges with the London Traded Options Market next year. **Page 22**

Berlin property booms

Two relatively small German property developers have been transformed into owners of the country's largest hotel chain – just two years after they were talking of retrenchment. The reason for the change in fortunes is a property boom in Berlin fuelled by soaring demand as the city is again to be Germany's functioning capital. **Page 20**

Forging industrial shapes

The UK forging sector, a bellwether of the state of health of British engineering, is suffering as its largest customers in the automotive and aerospace sectors continue to grapple with recession. **Page 24**

Losses for Lovell

Y J Lovell (Holdings), the troubled UK house builder, property developer and contractor, reported a pre-tax loss of £20.3m ($37m) in the year to September 30, compared with a £19.4m profit in the previous year. **Page 24**

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Havas	434.6	+	14.8
Rises				Pollet	420	+	22
Leifheit	450	+	10	**Falls**			
Falls				Beghin-Say	547	–	18
Allianz	2088	–	26	Canal Plus	986	–	54
Continental	216.5	–	5.5	Credit Nat	954	–	23
Deutsche B'cock	137	–	3.8	**TOKYO (Yen)**			
Zanders Fein	254	–	11	**Rises**			
NEW YORK ($)				Mitsui Sugar	833	+	100
Rises				Nippon Fmla Fd	646	+	100
Nike	63½	+	1⅝	Tokyu Car	914	+	100
Reebok	27⅞	+	1⅛	Tsugami	676	+	69
USX-Marathon	22⅝	+	½	**Falls**			
Falls				Hokko Chem	1150	–	90
Bank of Boston	10¼	–	1	Tokai Kisen	890	–	45
C'wealth Edison	39⅞	–	2				
Upjohn	39⅞	–	¾				
PARIS (FFr)							
Rises							
Gaumont	638	+	47				

New York prices at 12.30.

LONDON (Pence)							
Rises				**Falls**			
Attwoods	110	+	5	AMEC	167	–	8
Bunzl/Bexheim	413	+	15	Alex. Workwear	87	–	6
Cable & Wire	585	+	10	BET	192	–	14
Conder	23	+	4	Dixons	215	–	8
Countryside Pr	83	+	6	Inchcape	386	–	13
Elect ata	267	+	15	NMC	38	–	13
Graig Shippg	106	+	4	NSM	3¾	–	2¾
Prospect Inds	17¾	+	1¼	Reckitt Colman	613	–	21
Sage	341	+	21	Royal Insce	237	–	11
Total Systs	35	+	3	Wood (JD)	40	–	5
Walker (T)	34	+	6				

Toyota warns of 33% fall in profits

By Stefan Wagstyl in Tokyo

TOYOTA MOTOR, Japan's largest carmaker, yesterday forecast a 33 per cent fall in pre-tax profits for the six months to the end of December, due mainly to a sharp fall in sales of high-margin luxury cars in Japan.

The company's problems have been compounded by the recent rise of the yen, particularly against European currencies. The company said this had squeezed profits on overseas sales.

Japanese companies tend to tell investors of unexpected problems by leaking the information to newspapers. The fact that Toyota resorted to a public announcement indicates how seriously the executives view the sharp decline in profitability.

In spite of an overall rise in the Tokyo stock market yesterday, Toyota shares fell Y20 to Y1,490.

Toyota forecast parent company profits would fall to around Y200bn ($1.56bn), down from Y298bn for the same period last year. Sales would be slightly higher at Y4,400bn against Y4,365bn. Net profits would total Y100bn from Y158bn.

For the full year to next June, Toyota said it would aim for sales of Y9,000bn (Y8,654bn last year), pre-tax profits of Y400bn, compared with Y574bn, and net profits of Y200bn, down from Y330bn.

Toyota said it had been hit by the general decline in car sales triggered by the slowing of the economy. It suffered more than other carmakers with passenger car sales in the first 11 months of 1991 down 9 per cent compared with a 6 per cent fall in the market overall.

However, its performance at the top end has been poor – sales fell 14 per cent in the 11 months to November, compared with a 4 per cent increase in the market as a whole.

Toyota lost market share to manufacturers which recently introduced new models – including Nissan, Mazda and Mitsubishi.

A temporary decline in market share will do little long-term damage to Toyota given its unchallenged leadership of the Japanese market and its huge financial reserves. Nevertheless, the results show Toyota is not immune to competition from smaller rivals if their cars are well-designed and marketed.

Mazda and Mitsubishi have been praised in the Japanese car trade press for launching successful cars although lacking the resources of Toyota and Nissan, the two largest makers.

Kevin Brown reports on the Canadian publisher's A$1.4bn bid

Conrad Black wins battle for Fairfax

MR CONRAD BLACK, Canadian publisher of the UK Daily Telegraph, yesterday extended his media empire to Australia through the A$1.4bn ($1.06bn) acquisition of John Fairfax, publisher of the Sydney Morning Herald, The (Melbourne) Age and the Australian Financial Review.

Hollinger, Mr Black's listed holding company, now controls more than 90 daily and Sunday newspapers on four continents, including the Daily Telegraph and its Sunday stablemate, the Jerusalem Post, and 86 publications in Canada and the US.

Fairfax is Australia's second-largest newspaper publisher, with around 20 per cent of daily circulation, compared with 70 per cent controlled by News Corporation, Mr Rupert Murdoch's US-based media group.

The deal ends uncertainty for Fairfax, which was put into receivership by its banks in December 1990 after breaching *loan covenants on debt of* A$1.3bn to fund a 1987 buy-out by Mr Warwick Fairfax, then 29.

Mr Des Nicholl, the receiver, said Fairfax's sale to Mr Black's *Tourang consortium would be* "beneficial to the group's customers, creditors, circulation subscribers and employees".

However, the sale is a blow to a broad coalition of critics who opposed Tourang because of fears that Mr Black would interfere with the editorial independence of the newspapers.

"We now have 90 per cent of the print media owned by North Americans. No self-respecting country in the world should have to put up with that," said Mr Malcolm Fraser, a former Liberal prime minister.

The Friends of Fairfax, an umbrella group set up to protect the group's independence, said it hoped Mr Black "will not come in and tear the place apart to put his stamp on it".

Mr Daniel Colson, Canadian chairman of Tourang, said the consortium had overcome "a lot of hysteria in the press, which we never understood the reason for".

Tourang was forced to restructure its bid last week after the federal government ruled that its proposal for 40 per cent foreign ownership of Fairfax was "not in the national interest".

The consortium's final bid provides for Australian financial institutions to hold 80 per cent of the stock, the Telegraph 15 per cent and Hellman & Friedman, the US investment bank, 5 per cent.

Hellman & Friedman's stake will be in the form of non-voting debentures. The consortium said it would float up to 80 per cent of Fairfax on the Australian Stock Exchange within six months.

Tourang went to considerable lengths to make the bid accept*able to public opinion by promis*ing to appoint a majority of Australian directors to the Fairfax board, to be chaired by Sir Zelman Cowen, a former governor-general.

The Tourang consortium initially included Mr Kerry Packer, the Australian media proprietor, who was to have taken a 15 per cent *stake in Fairfax. Mr Packer* pulled out after regulatory authorities began an inquiry into his participation in the bid.

Similar bids were made by Australian Independent Newspapers, representing financial institutions, and Australian Provincial Newspapers, chaired by Mr Tony O'Reilly, the Irish newspaper proprietor and chief executive of Heinz, the US food group.

The bondholders had threatened to sue Fairfax for misrepresentation if the group was sold to another bidder.

Photo: Ashley Ashwood

Conrad Black: promises to appoint mainly Australian directors to the Fairfax board

A struggle to own Australian headlines

In the afterglow of victory, Mr Conrad Black's Tourang consortium was prepared to be magnanimous yesterday about its struggle to acquire John Fairfax, Australia's second largest newspaper publisher.

"It was a unique opportunity for us to become involved with Australia's best newspaper company," said Mr Daniel Colson, the Canadian lawyer who nursed the consortium through the bidding.

It was a far cry from the outrage expressed by Tourang less than a week ago, when its bid *appeared to have been blocked by* a federal government ruling that it was "against the national interest". The talk was of political interference, and the damage being done to Australia's international image.

Tourang was right to point to the extraordinary conditions under which three of Australia's most important newspapers had been rescued from bankruptcy.

The saga started with a successful 1987 buy-out of other family shareholders by Mr Warwick Fairfax, then the 29-year-old heir of the family that had run Fairfax for 150 years.

Mr Fairfax lost control of the company in December 1990, when it was placed in receivership by its banks after breaching loan covenants on debt of A$1.3bn (US$1bn) acquired to finance the buy-out.

There was no shortage of bidders for the newspapers – principally The Sydney Morning Herald, the Australian Financial Review and The Age in Melbourne.

Three substantial suitors *appeared. Out front was the* Tourang consortium, which included Hellman & Friedman, the US investment bank, and Mr Kerry Packer, the Australian television and magazine proprietor.

The other bidders were Australian Independent Newspapers, formed by a group of domestic financial institutions, and Australian Provincial Newspapers, formed by Mr Tony O'Reilly, the Irish newspaper proprietor and chief executive of Heinz, the US food group.

Fairfax's principal creditors, Australia and New Zealand Banking Corporation and Citibank, placed the sale in the hands of Mr Des Nicholl, an accountant from Touche Ross Tohmatsu, and Mr Mark Burrows, a merchant banker from the Sydney firm Baring Brothers Burrows.

The disposal was enlivened by a coalition of Fairfax journalists and political heavyweights such as Mr Malcolm Fraser, former Liberal prime minister and Mr Gough Whitlam, his Labor predecessor.

*Mr Packer was their main tar*get for attack.

He withdrew from Fairfax after the Australian Broadcasting Tribunal started an inquiry into whether his role in Tourang breached laws limiting the involvement of television proprietors in newspapers. But the opposition eventually forced Tourang to cut the proposed foreign ownership of Fairfax from about 40 per cent to 20 per cent.

The revised bid leaves Tourang within the government's foreign investment guidelines, but it has not satisfied Fairfax journalists, who are dismayed by Mr Black's refusal to sign a proposed charter of editorial independence.

Much of their concern is founded on his reputation for interference in editorial matters in Canada and the US, and at The Jerusalem Post, which he is alleged to have moved sharply to the right after taking control. However, the editors of Mr Black's main London publications, The Daily Telegraph and *The Spectator, say he has been* non-interventionist.

Tourang has announced it will float 80 per cent of the group within six months, and appoint a majority of Australian directors to the Fairfax board, of which Mr Black will be deputy chairman.

The chairman will be Sir Zelman Cowen, a former governor-general of Australia and former chairman of the UK Press Council, who says fears about Mr Black's interventionist nature are exaggerated.

For the next few weeks, Tourang is likely to be too busy seeking an Australian chief executive for Fairfax and getting to know the company to fight battles on editorial policy.

It will want to check that the A$1.4bn tag placed on Fairfax by the receiver was not "a bit toppy", as Mr Gil Hoskins, chief executive of National Mutual Life, the second largest financial institution, suggested yesterday.

Some insight into Tourang's longer-term plans was given by Mr Packer in an interview on his *own Channel Nine television sta*tion recently, while he was still in the consortium.

Mr Packer claimed Fairfax staff had been enjoying a "two-year holiday" since the group ran into trouble under Mr Fairfax, and suggested he had in mind ways of "fixing it up".

Other Tourang executives say privately that Fairfax needs only "minor surgery". But if Mr Packer's analysis reflects the views of Mr Black, a dramatic confrontation may be in store, in spite of Tourang's soothing words.

Court told that Asil Nadir was 'in breach' of his duties

By David Barchard in London

MR ASIL NADIR, former chairman of Polly Peck International, the collapsed fruit and electronics conglomerate, pursued his own private interest at *the expense of the company, the* British High Court was told yesterday.

Mr David Oliver QC, representing Mr Christopher Morris of *Touche Ross and the other* administrators of Polly Peck, outlined complex transactions in northern Cyprus by Mr Nadir in the three years before Polly Peck went into administration.

Mr Morris also said in an affidavit that he had been told by Mr Hakki Tamer Müftüzade, described as former finance director of Polly Peck in Turkey, that consolidation pack forms, used in reporting the company's accounts, were deliberately altered.

"I have been informed by Mr Müftüzade and verily believe that certain at least of the consolidation packs were wrongly altered before being incorporated into PPI group accounts."

The hearing was part of an action launched two months ago by the company's administrators to reclaim more than £500m ($911.3m) of company funds from Mr Nadir, his mother Mrs Safiye Nadir, and four other defendants.

Mr Oliver told the court that £136m had been spent in October *1990, when Polly Peck was in a* serious financial crisis, on buying three sites in northern Cyprus which appeared to be incapable of further development without substantial investment.

"I have been advised and believe that in each of these instances Mr Nadir has acted in flagrant breach of his fiduciary duties to PPI as a director and appears to have been motivated by a desire to purchase his own private interests at the expense of PPI," said Mr Oliver.

Yesterday's hearing covered alleged transactions by Mr Menteş Aziz, a Turkish Cypriot barrister and business associate of Mr Nadir from whom the administrators are seeking to reclaim £5.9m.

Mr Oliver said that $40m from the proceeds of the flotation of Vestel, a Polly Peck consumer *electronics company, were sup*posed to revert to Polly Peck's Dutch finance subsidiary but had never arrived.

The administrators had been told by Mr David Fawcus, former Polly Peck finance director, that the company's board had little access to Unipac and other Cypriot subsidiaries and this had been a source of concern to the directors who raised it with Mr Nadir on many occasions.

Two companies, Unipac in Cyprus and Meyna in Turkey, owed the head company £680.4m in October last year. If this amount had been remitted even in part, it might have been sufficient to meet the company's financial requirements before it was forced to go into administration.

The case continues today.

Westinghouse Credit talks fail

By Martin Dickson in New York

NEGOTIATIONS for the sale of parts of Westinghouse Credit, the troubled financial services business, to its rival, GE Capital, have ended without agreement, creating fresh uncertainty over the future of the Westinghouse business.

However, Westinghouse Credit, an arm of the Westinghouse Electric conglomerate, said it was continuing discussions with other interested parties and expected to receive $700m cash from the sale of assets by the end of this year.

It expected to raise a further $500m by the end of the first quarter of 1992.

Westinghouse Credit has been hit by loans to the property sector during the late 1980s which forced Westinghouse Electric to make $2.7bn of write-offs this year.

The parent has been attempting to sell most of the finance business and began negotiations three weeks ago with GE Capital, an offshoot of the General Electric group, and one of the largest *and most successful non-bank* finance groups in the US.

GE Capital, which has been expanding rapidly through acquisitions from less healthy rivals, expressed interest in all three of Westinghouse's business portfolios.

No reason was given by either company for the termination of the talks, but Wall Street analysts saw *it as a blow to Westing*house, prolonging uncertainty over how it would cope with the finance company's deteriorating loan portfolio and the need to bolster the group's cash position.

However, Mr Paul Lego, chairman of the Westinghouse group, insisted in a statement that "we *have the financial resources to* carry out our down-sizing strategy, and we are confident of our ability to reduce our portfolio in an orderly way."

Westinghouse Electric shares were $¼ down at $15¼ in early trading on the New York Stock Exchange.

MFI trims loss to £11.5m with 5% cut in overheads

By Bronwen Maddox in London

MFI FURNITURE GROUP, the furniture retailer and manufacturer, managed to cut its interim losses before tax to £11.5m ($20.8m) from losses of £16m as it pulled overheads across the group down by 5 per cent.

The group, valued at £718m in 1987 in one of the decade's biggest management buyouts, has been struggling to overcome recession, interest costs, and a reputation for poor quality.

Turnover for the half-year to November 9 was £319.2m, against £320.4m, in spite of price competition. Its market share in kitchens and bedrooms rose, partly at the expense of Magnet, a second debt-laden furniture buyout.

In spite of "continued difficult trading" the group managed to hold gross profit margins at 58 per cent, partly by increasing the proportion of products sold in its shops that were made by its manufacturing arm to 57 per cent from 54 per cent.

The group cut costs such as advertising and travel, resulting in a fall in overheads to £90.1m, compared with £95.2m.

The group has installed a new computer system to hold stock details at each store, and branches now give stock orders daily rather than weekly.

Tighter stock control and cuts in warehousing helped cut stock levels by £18.6m to £63m, and made delivery more reliable.

Net interest payable was £35.9m, against £34.9m; net debt remains around £500m, the same as in the corresponding period the previous year.

The group has debt repayment dates of £15m in April 1992 and £25m in October 1992.

Mr Derek Hunt, chairman, said a stock market flotation, which would significantly reduce debt "will depend on conditions improving in both the furniture market and the stock market."

Asda, the troubled supermarket group, has a 25 per cent stake, but has so far not suggested to MFI that it wants to sell.

The group plans to launch new kitchen, bedroom, bed, upholstery and office furniture ranges in the second half, including 12 new self-assembly kitchens and three new bedroom ranges.

Mr John Randall, finance director, said: "Ahead of Christmas things have been dull – but not worse than dull – and we should do well when turnover finally starts to grow."

Lex, Page 18

Continental splits main business division

By Christopher Parkes in Bonn

CONTINENTAL, the German tyre-maker, is to split its main business division into two separate profit centres – one servicing the car market and the other specialising in tyres for commercial vehicles.

The group, which simultaneously announced the departure of Mr Ingolf Knaup, finance director, said yesterday that the restructuring would take effect on January 1.

With annual sales of DM10bn ($6.3bn), the corporation had become too big for "functional management", according to Mr Hubertus von Grünberg, group chairman.

"By decentralising responsibility for results to individual operational units which are closer to the customers and able to respond more quickly, we intend to bring about an improvement in earnings," he added.

"More leverage should be created for entrepreneurial action and specific responsibility for such action."

The company already runs its ContiTech industrial rubber business as a stand-alone profit centre.

The move followed the collapse two weeks ago of lengthy co-operation talks with Pirelli of Italy and a warning from Mr von Grünberg, that the company would report a "significant loss" for the current financial year. *Sales rose 6.8 per cent in the first nine months, but profits would be hit by provisions for closing a Canadian factory and restructuring.*

The new car tyre division will be headed by Mr Günter Sieber, currently the main board director responsible for tyre sales and marketing. The commercial vehicle business will be run by Mr Klaus Röker, *who becomes a full member of the group board at the turn of the year.*

Both Mr Röker, at present in charge of tyre research, and *Mr Sieber will retain their current responsibilities in addition to their new jobs.*

The company said the resignation of Mr Knaup, 47, was "a normal career move".

Developers book into hotel boom

Leslie Colitt examines one German property group's success story

THE transformation of two relatively small property developers into the owners of Germany's largest hotel chain is remarkable even by the boom-or-bust standards which pass for the norm in Berlin these days.

Towards the close of 1989, Mr Klaus Groenke and Mr Axel Guttmann were actually on the verge of a programme of retrenchment for their Klingbeil group. Then the Berlin Wall was breached and the property business in Berlin was stood on its head.

The boom has been fuelled by soaring demand for office space, especially as the city is to again be the functioning capital of Germany. The upsurge in demand has come up against a very limited supply of office buildings.

Plans for new construction have been blocked in the east by an artificial shortage of marketable real estate caused mostly by conflicting ownership claims. As a result, office rents have jumped from an average of DM30 per square metre in 1989 to nearly DM100 in central districts of east and west Berlin.

This year, turnover at Klingbeil is likely to rise to DM1.5bn from DM300m in 1990, and the success story looks set to run for some time. Earlier this month, the government Treuhand agency awarded Klingbeil the contract to buy east Germany's sprawling Interhotel chain, a former state monopoly whose room and occupancy rates are the envy of western hotel operators.

Klingbeil paid DM2.1bn for *27 hotels ranging from the top-of-the-range Grand Hotel in east Berlin to three prefabricated hostelries in Dresden with rooms resembling broom cupboards.*

The Berlin Wall: Its breaching fuelled the property boom

Terry Kirk

Financed by a consortium led by Deutsche Bank, the two Klingbeil partners put in DM200m each and pledged investments of nearly DM1bn to modernise the hotels.

The soft-spoken Mr Groenke said the Interhotel deal was good value for money and would even enable Klingbeil to build offices and shops on some of the hotel properties. Klingbeil has wisely protected itself against claims on the hotel properties from former owners. A clause in its contract stipulates that any of the properties returned to a former owner entitles Klingbeil to get back the market value of the property from the Treuhand.

Negotiations on management leases for 70 per cent of the hotels are under way with Sheraton, Intercontinental, Holiday Inn, Ramada, Trust House Forte, Kempinski and Steigenberger. Ironically, it was Steigenberger which signed the first management contract with Interhotel last year which was to have been the first step toward a take-over. However, the Treuhand vetoed the deal.

The buoyancy of the hotel market in east Germany is such that Klingbeil plans to build an additional eight hotels there for DM1.6bn. It already owns two large hotels in Berlin as well as the Sheraton hotel at Frankfurt airport, one of Europe's largest.

Klingbeil has invested another DM2.8bn in office buildings and other commercial properties in the east, most of them in surrounding Brandenburg state and in Saxony. They will be marketed as property funds.

However, Mr Groenke expects the boom to cool markedly by the mid-1990s.

In the 1970s and 1980s, Klingbeil flourished as a builder of highly-subsidised, low-income flats in Berlin, an activity from which it withdrew in 1986. Builders of such low-rent housing in Berlin did extremely well for themselves.

"You could prosper as a builder without investing a pfennig of your own," Mr Hans Welpport, an official of the Berlin Building Department explained. General contractors were allowed to submit lump-sum bills to the city which invariably were inflated beyond sub-contractors' costs.

At present, the city has a desperate shortage of low and medium-income flats, and plans to subsidise between 80,000 and 100,000 such properties by 1995.

Mr Groenke agreed that "too many people had earned too much" in the past, but that the pendulum had swung the other way and the general contractor was now effectively discriminated against.

Landis & Gyr trebles earnings

By Ian Rodger in Zurich

NET EARNINGS of Landis & Gyr, the Swiss building and energy controls and telecoms equipment group, more than trebled to SFr62.8m ($44.9m) in the year to September 30 following a substantial restructuring of operations and a strong increase in orders.

The directors of the group, perhaps best known as a maker of pay telephones and telephone cards, are proposing to restore the annual dividend to 10 per cent after lowering it to 8 per cent two years ago when the company suffered a net loss of SFr18.4m. That would make a dividend of SFr62.8 per registered share compared with SFr16.

They will also propose a substantial increase in share capital from SFr9.9bn to SFr188.4bn at the annual meeting on January 29. No details of the increase were given, but many Swiss companies have been preparing recently to split their shares once a federal law facilitating such a move becomes effective in the middle of next year. Many Swiss shares, including those of Landis & Gyr, are relatively highly priced or "heavy", and thus unattractive to foreign investors.

Consolidated turnover in the year to September 30 was up 10 per cent to SFr2.67bn, but the company said that if currency factors were excluded it rose 13 per cent. Operating profit was down 21 per cent to SFr110.1m as recessionary conditions squeezed margins in many markets and restructuring costs continued.

The directors noted that the sharp rise in the consolidated net income figure was from an exceptionally low level, SFr20.3m, last year. This year's net income is still not as high as the SFr65m earned in 1988.

They said it was costing more to find new business and to maintain its research and development activities.

Securitas in SKr425m acquisitions

SECURITAS, the Swedish locks, alarms and guards company, has acquired the Swiss-based Protectas and agreed to buy Esabe, Spain's second largest guard services and cash-in-transit company. The cost of the two acquisitions is SKr425m ($74m), writes Robert Taylor in Stockholm.

Mr Melker Schorling, Securitas chief executive, said the deals will make Securitas the largest business concern in the European security industry, giving it estimated annual sales of SKr6.25bn next year with 60 per cent outside Sweden. The enlarged workforce will total 27,000 employees.

Since 1988, when the company bought three security service companies in Norway, Denmark and Portugal with a combined turnover of SKr1bn, it has sought to develop a pan-European corporate strategy. Its resulting expansion has been impressive. Sales rose from SKr1.73bn in 1988 to a forecast SKr3.67bn this year, while its profits (after financial items) have increased from SKr73m to an expected SKr235m over the same period.

Upjohn to contest UK ruling on Halcion

UPJOHN, the US pharmaceutical company, yesterday said the UK's Committee on *Safety* of Medicines (CSM) had recommended that its product *licence be revoked for its* best-selling Halcion sleeping pill, writes Karen Zagor in New York.

The company said it would appeal against the recommendation. Halcion sales were suspended in the UK in October amid concern about the drug's side-effects. Since then, Halcion has come under extensive review by the US Food and Drug Administration and the European Community's Committee for Proprietary Medicinal Products (CPMP).

In November, the FDA approved new labelling and packaging for Halcion. Earlier this month, the CPMP said it supported the Halcion labelling and packaging changes, but confirmed the "absolute *importance*" of short-term use of the product.

Mr Samuel Isaly, an analyst at Mehta & Isaly in New York, said: "I would suspect that Halcion has already had its usage circumscribed and the remaining users are probably loyal – people tend to swear by their *sleeping pills*. But the market fears that the drug will be pulled worldwide.

"Upjohn has bought some time by getting the CPMP to expand its review to include all sleeping pills. But if it falls in Europe, it will almost certainly *fall in the US*."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 17.12.91 — Final Prices for Trading on 18.11.91

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.72	16.53	16.53
0100	20.03	16.48	16.48
0130	21.50	19.55	21.75
0200	21.60	19.55	21.75
0230	20.25	16.57	16.57
0300	20.26	16.53	16.58
0330	20.03	16.49	16.49
0400	17.75	16.46	16.46
0430	17.53	16.44	16.44
0500	17.53	16.44	16.44
0530	17.54	16.45	16.45
0600	17.53	16.47	16.47
0630	17.65	16.49	16.49
0700	19.34	16.54	16.54
0730	20.19	19.77	21.98
0800	20.22	20.22	22.48
0830	21.52	20.22	22.48
0900	21.60	20.76	23.01
0930	21.63	28.03	30.51
1000	21.61	28.05	30.53
1030	21.57	22.32	24.62
1100	21.21	22.33	24.63
1130	21.21	22.35	24.67
1200	21.23	28.37	28.82
1230	21.66	26.36	28.74
1300	21.55	26.33	28.66
1330	21.18	24.04	26.30
1400	21.21	17.36	17.36
1430	21.24	17.30	17.30
1500	21.63	22.45	24.65
1530	22.56	24.16	26.46
1600	52.90	29.94	33.85
1630	139.15	76.86	89.76
1700	226.23	113.31	130.54
1730	226.55	116.54	131.64
1800	148.72	80.64	91.88
1830	82.85	39.32	43.91
1900	33.84	28.67	31.56
1930	25.09	26.60	28.84
2000	21.71	24.04	26.29
2030	20.89	21.18	23.37
2100	20.63	20.74	22.83
2130	20.20	20.07	22.26
2200	20.20	20.07	22.28
2230	19.92	19.17	21.35
2300	17.74	16.54	16.54
2330	17.46	16.49	16.49
2400	17.44	16.45	16.45

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.

NGC Settlements Limited

INTL COMPANIES AND MARKETS

Nike beats recession to produce record results

Karen Zagor in New York

NIKE, the US sports shoe and apparel maker, yesterday posted record second-quarter results, continuing its trend of improving its performance in the face of recession and a dreary retail environment.

For the three months to November 30, Nike's net income rose 6 per cent to $61.5m, or 80 cents a share, from $58.1m, or 77 cents, a year earlier. Revenues grew 15 per cent in the quarter to $743.4m from $648.8m.

Although the results met most expectations following Nike's surprisingly strong first quarter, analysts were encouraged by the growth in the company's orders due for delivery by next April, which are 8 per cent higher than the previous year at about $1.4bn.

Orders for footwear and apparel scheduled for delivery between September 1991 and January 1992 rose only 2 per cent to $1.1bn.

On Wall Street, shares in Nike briefly hit a 52-week high of $63⅝, and before the close were quoted $1⅜ higher at $63¼.

Mr Philip Knight, chairman, said: "Although the US economy may have a slow recovery ahead, Nike's momentum is healthy and our worldwide opportunities remain very bright."

During the second quarter, international sales jumped 49 per cent to $286.4m, led by strong growth in Nike's European market. This helped offset a 2 per cent decline in US footwear revenues to $343.5m. US apparel revenues firmed 2 per cent to $73.1m in the three months.

Consolidated gross margin rose to 38.7 per cent in the quarter from 37.3 per cent. Selling and administrative expenses rose to 24.4 per cent of revenues from 22 per cent the previous year.

For the first half of Nike's 1991 fiscal year, the company earned $176m, or $2.30 a share, on revenues of $1.69bn, against net income of $157.7m, or $2.06, on revenues of $1.48bn a year earlier.

SA financial groups in share swap

By Philip Gawith in Johannesburg

FEDSURE and Investec, two South African financial services groups, have set up a R400m ($144.40m) deal involving a share swap and the issue of new shares to create an important force in the nation's financial services sector.

Together, they have direct and indirect control over R16bn worth of assets. The "strategic alliance" brings together two of the largest independent groups in the sector.

South Africa's four largest banks all have close ties either with one of the large life offices or with a mining/industrial conglomerate.

Once the exchanges are complete, Fedsure will have an effective 27 per cent stake in Inhold, the holding company in the Investec group, and 22 per cent in Investec Bank. The Investec group's stake in Fedsure will rise from 4 per cent to 22.5 per cent.

In addition to the share exchange, it is proposed to issue new ordinary and convertible preference shares to raise R220m in new capital for Fedsure and R160m for the Investec group.

The new group will have interests in short and long-term insurance, commercial banking, merchant banking, mortgage lending, property unit trusts and participation mortgage bonds.

Both banks have a reputation for innovation and entrepreneurial management.

Investec was involved, two years ago, in a controversial but unsuccessful hostile takeover bid for Board of Executors, a Cape-based investment institution.

Mr Stephen Koseff, Investec managing director, and Mr Arnold Basserabie, Fedsure chief executive, say the deal ensures their independence and will allow them to focus on their respective operations. The increases in the capital bases of the two groups will allow continued growth while the access to new client bases and revenue sources should allow both groups to build market share.

They said: "We will both be in a better position to provide an increasingly sophisticated market with an integrated range of products. Overseas markets increasingly demand composite investment options which include a mix of products from the assurance, banking and property sectors."

PPM sets up Australian subsidiary

By Norma Cohen, Investments Correspondent

PRUDENTIAL Portfolio Managers (PPM), the asset-management arm of Prudential Corporation, is to establish a subsidiary in Australia as part of the globalisation of its investment activities.

Mr Hugh Jenkins, chief executive of PPM, said the formation of the Australian unit was intended to capitalise on the expected build-up of occupational pension funds in the country. "The Australian pensions market will be burgeoning over the next 10 years," Mr Jenkins said.

Last year, Australia enacted tax concessions designed to encourage individuals to contribute to occupational pensions.

Prudential, which has A$4bn (US$3.1bn) under management in Australia, previously managed its investments as part of its life insurance operations there. However, creation of a new subsidiary is intended to help the company compete to manage pension portfolios for others. So far, it has signed up two international pension funds.

Last year, Prudential formed a US subsidiary, PPM America, which plans to compete for the management of the international portfolios of US pension funds. PPM America manages the assets of its own US subsidiary, Jackson National Life.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6.10 pm on December 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105⅝	106⅛	-¼	6.59
ALBERTA PROVINCE 9 3/8 95	600	109⅜	109¾	-⅛	6.54
AUSTRIA 8 1/2 00	400	105⅜	105¾	-⅛	7.58
BANK OF TOKYO 8 3/8 96	100	104⅝	105	+⅛	7.07
BELGIUM 9 5/8 98	250	111½	111¾		7.34
BFCE 7 3/4 97	150	104	104¼	+⅛	6.80
BNP 8 5/8 94	300	106¼	106⅝	+⅛	5.96
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.69
COPENHAGEN TEL 8 5/8 96 LFr	600	98	98¼	+⅛	9.23
WORLD BANK 8 96 LFr	1000	96⅛	97⅛	-⅛	9.09
ABN AMRO HOLDING 9 1/4 01 Fl	750	101⅛	102		8.97
UNILEVER 9 00 Fl	500	102⅝	103⅛	-⅛	8.54
ALBERTA PROVINCE 10 5/8 96 C$	500	106⅛	106½		8.79
BELL CANADA 10 5/8 99 C$	150	106⅛	106⅝	+⅛	9.44
[illegible]					

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, December 16, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	54.488	34.5217	42.4145
Albania	(Lek)	10.15	5.5723	3.5304	4.3376
Algeria	(Dinar)	39.36	21.6085	13.6904	16.8205
Andorra	(Fr Fr)	9.8225	5.3925	3.4165	4.1976
	(Sp Peseta)	182.75	100.329	63.5652	78.0982
Angola	(Kwanza)	161.40	88.6082	56.1391	68.9743
Antigua	(E Carr $)	4.9153	2.6984	1.7096	2.1005
Argentina	(Austral)	18051.85	9910.43	6278.9	7714.47
Aruba	(Florin)	3.26	1.7897	1.1339	1.3931
Australia	(Aus $)	2.3545	1.2926	0.8189	1.0061
Austria	(Schilling)	20.225	11.1034	7.0347	8.6431
Azores	(Port Escudo)	254.60	139.775	88.5565	108.803
[illegible]					
Fiji Is	(Fiji $)	2.6880	1.4757	0.9349	1.1487
Finland	(Markka)	7.7738	4.2678	2.7039	3.3221
France	(Fr)	9.8225	5.3925	3.4165	4.1976
Fr. Cty/Africa	(CFA Fr)	491.125	269.627	170.826	209.882
Fr. Guiana	(Local Fr)	9.8225	5.3925	3.4165	4.1976
Fr. Pacific Is	(CFP Fr)	176.00	96.6236	61.2173	75.2136
Gabon	(CFA Fr)	491.125	269.627	170.826	209.882
Gambia	(Dalasi)	16.51	9.0639	5.7426	7.0555
Germany	(D-Mark)	2.8750	1.5783	1	1.2286

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	703.485	386.212	244.69	300.635
Gibraltar	(Gib £)	1.00	0.5489	0.3478	0.4273
Greece	(Drachma)	330.325	181.348	114.896	141.165
Greenland	(Danish Krone)	11.1850	6.1405	3.8904	4.7799
Grenada	(E Carr $)	4.9153	2.6984	1.7096	2.1005
Guadaloupe	(Local Fr)	9.8225	5.3925	3.4165	4.1976
Guam	(US $)	1.8215	1	0.6335	0.7784
Guatemala	(Quetzal)	9.2420	5.0738	3.2146	3.9495
Guinea	(Fr)	1478.77	811.842	514.355	631.953
Guinea-Bissau	(Peso)	9102.50	4997.26	3166.09	3889.96
Guyana	(Guyanese $)	220.75	121.191	76.7826	94.3376
Haiti	(Gourde)	9.1025	5	3.166	3.8899
[illegible]					
Nepal	(Nepalese Rupee)	77.7353	42.6765	27.0383	33.2202
Netherlands	(Guilder)	3.2400	1.7787	1.1269	1.3846
N'nd Antilles	(A/Guilder)	3.2587	1.789	1.1334	1.3926
New Zealand	(NZ $)	3.26575	1.7928	1.1358	1.3955
Nicaragua	(Gold Cordoba)	9.1025	4.9972	3.166	3.8899
Niger Rep	(CFA Fr)	491.125	269.627	170.826	209.882
Nigeria	(Naira)	17.84	9.7941	6.2052	7.6239
Norway	(Nor. Krone)	11.2925	6.1995	3.9278	4.8258
Oman	(Rial Omani)	0.7015	0.3851	0.244	0.2997

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak Rupee)	43.00	23.6069	14.9565	18.376
Panama	(Balboa)	1.8215	1	0.6335	0.7784
Papua New Guinea	(Kina)	1.7315	0.9505	0.6022	0.7399
Paraguay	(Guarani)	2424.20	1330.88	843.2	1035.98
Peru	(New Sol)	1.82	0.9991	0.633	0.7777
Philippines	(Peso)	45.55	25.0068	15.8434	19.4658
Pitcairn Is	(£ Sterling)	1.00	0.5489	0.3478	0.4273
	(NZ $)	3.26575	1.7928	1.1358	1.3955
Poland	(Zloty)	19648.0	10786.7	6834.09	8396.56
Portugal	(Escudo)	254.60	139.775	88.5565	108.803
Puerto Rico	(US $)	1.8215	1	0.6335	0.7784
Qatar	(Riyal)	6.6350	3.6426	2.3078	2.8354
[illegible]					
Virgin Is-British	(US $)	1.8215	1	0.6335	0.7784
Virgin Is-US	(US $)	1.8215	1	0.6335	0.7784
Western Samoa	(Tala)	4.3794	2.4042	1.5232	1.8715
Yemen (Rep of)	(Rial)	23.5755	12.9429	8.2001	10.075
Yemen (Rep of)	(Dinar)	0.8465	0.4647	0.2944	0.3617
Yugoslavia	(Dinar)	37.0863	20.3603	12.8995	15.8488
Zaire Rep	(Zaire)	118570.0	65094.7	41241.7	50670.9
Zambia	(Kwacha)	153.65	84.3535	53.4434	65.6623
Zimbabwe	($)	9.1617	5.0297	3.1866	3.9152

Special Drawing Rights December 13 1991 United Kingdom £0.773470 United States $1.39998 Germany D Mark 2.21589 Japan Yen180.177
European Currency Unit Rates December 16, 1991 United Kingdom £0.708540 United States $1.28990 Germany D Mark 2.03984 Japan Yen165.623

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; (u) Currencies fixed against the US Dollar.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, December 16, 1991

INTERNATIONAL CAPITAL MARKETS

Treasuries unaffected by fall in industrial output

By Patrick Harverson in New York and Simon London and Sara Webb in London

DESPITE a bigger-than-expected decline in November industrial output, US Treasury prices were little changed in light trading at mid-session yesterday.

By midday, the benchmark 30-year government issue was unchanged at 102⅝, yielding 7.767 per cent, while the two-year note was slightly firmer, up 1/32 at 100-27/32, to carry a yield of 5.023 per cent.

The news that industrial output fell 0.4 per cent last month surprised the market, which had been expecting a decline of half that size. The figure, however, was not sufficient to spur demand for Treasury securities, either at the short or long end of the maturity spectrum.

Analysts said the lack of a reaction was probably a reflection of the reluctance of traders and investors to commit funds to the market ahead of today's important meeting of the Federal Reserve's Open Market Committee, which many believe will sanction further interest rate cuts shortly.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	114.6400	+0.147	9.67	9.71	9.81
BELGIUM		9.000	06/01	99.6500	+0.200	9.04	9.11	9.03
CANADA *		8.500	04/02	100.0500	-0.150	8.49	8.51	8.42
DENMARK		9.000	11/00	100.9200	+0.145	8.84	9.01	8.85
FRANCE	BTAN	8.500	11/96	97.8600	+0.153	9.04	9.19	8.87
	OAT	9.500	01/01	104.4800	+0.060	8.76	8.93	8.73
GERMANY		8.25	09/01	100.2300	+0.220	8.20	8.26	8.21
ITALY		12.000	06/01	97.1000	+0.040	12.53	12.63	12.49
JAPAN	No 119	4.800	06/99	94.1258	+0.099	5.93	5.99	6.19
	No 129	6.400	03/00	104.4307	+0.058	5.62	5.66	5.86
NETHERLANDS		8.500	03/01	98.7800	+0.170	8.69	8.78	8.72
SPAIN		11.900	07/96	100.4000	-0.150	11.72	11.95	11.86
UK GILTS		10.000	11/96	101-09	03/32	9.66	9.82	9.72
		10.000	02/01	102-16	-01/32	9.57	9.71	9.67
		9.000	10/08	97-00	-01/32	9.35	9.46	9.49
US TREASURY *		7.500	11/01	010-31	-08/32	7.22	7.24	7.37
		8.000	11/21	102-20	-08/32	7.77	7.80	7.86

London closing. *denotes New York morning session. Yields: Local market standard. Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

INTERNATIONAL & GOVT BONDS

■ *EUROPEAN government* bond markets remained bullish, showing further gains yesterday following last week's EC summit in Maastricht.

International investors continued to place new money in the German government bond market. The bund futures contract on Liffe rose from its opening of 86.42 to 86.73 by late afternoon. Although the Bundesbank Council holds its last meeting of the year on Thursday, few traders expect the central bank to announce a rise in German interest rates.

In France, the March futures contract on the Matif exchange closed at 106.94, up from its opening level of 106.82. The spread between the higher-yielding 10-year French Treasury bond and the 10-year German bund was unchanged at 55 basis points.

Dutch government bonds closed firmer, following the German market's rise. Traders are waiting for today's tender for the Dutch government's new 8.75 per cent 15-year bond issue which is expected to appeal to domestic rather than international investors. In grey market trading, the issue rose 101.20 to yield 8.61 per cent.

■ UK government bonds drifted down during the day on worries about the state of the UK economy and the government's showing in the opinion polls.

The Confederation of British Industry - the employers' orga isation - December monthly trends has wiped out hopes of a recovery in the UK economy early next year and helped to push gilt prices lower, mainly because of the likely political repercussions. Traders said that if the recession continues well into 1992, it is likely to reduce the Conservative government's chances of winning a general election, which has to be held during the first half od next yea. Opinion polls released at the weekend showed the Conservatives marginally ahead of Labour.

The 10 per cent gilt due 1996 slipped from 101⅝ to 101 17/32. At the long end of the yield curve, the benchmark 11¾ per cent gilt due 2003/07 fell a quarter of a point from its opening level of 114 25/32 before recovering to trade at 114 19/32. The Liffe gilt future fell from its opening of 96.28 to 96.24 by late afternoon.

■ THE Japanese government bond market closed stronger yesterday, with the benchmark 10-year bond reaching its highest level since December 1989. The yield on the benchmark No 129, which opened at 5.63 per cent, moved to 5.595 per cent before closing at 5.6 per cent.

■ WHILE the tone of government bond markets remained firm yesterday, new issue activity in the international bond market slowed to a virtual stand-still.

At least one substantial new Eurobond issue is anticipated this week, with the European Community still expected to launch a Ecu250m deal. But, the EC had not formally taken bids from leading firms yesterday, suggesting the deal may now not surface until late this week or even after the new year. In addition, two global bond issues are also expected from the World Bank in early January, its sixth global dollar bond issue and its first global yen issue. Syndicate officials said yesterday the World Bank is examining its options for both deals this week, canvassing opinions from leading international bond firms. A 10-year yen bond issue and a dollar issue in the seven-10-year maturity range is expected.

The dollar transaction would probably be compared with the European Investment Bank's $500m 10-year Eurodollar deal launched two weeks ago. The issue, lead managed by ABN Amro, was launched on a yield spread of 25 basis points more than US Treasury bonds, but was yesterday trading on a tight spread of 10 basis points.

Uncertain future for stock option trading

Shadows loom over the planned merger of Liffe and LTOM writes Tracy Corrigan

THE London International Financial Futures Exchange's first day of trading on its new dealing floor at Cannon Bridge yesterday was overshadowed by growing uncertainty over the future of stock option trading after Liffe merges with the London Traded Options Market (LTOM) next year.

The trading floor, covering 25,000 square feet, contains 595 trading booths, of which 96 booths are reserved for stock options. But not enough members have come forward to act as market-makers in individual stock options on the new exchange.

Members of the board of the London Traded Options Market met late yesterday to discuss ways of saving the market.

"There is a potentially viable equity options market, but we have to find a way to develop it," said one head of options trading at a UK house.

Although some 300 applications were received last month for 'D' shares, which entitle holders to trade equity options on the new exchange, many firms are keen on trading equity index options, in particular the successful FT-SE 100 index option, rather than the 67 individual stock options currently traded on LTOM.

Only a handful of houses, including James Capel, City of London Options and O'Connor Securities (part of Swiss Bank Corporation), are believed to have committed themselves to making a market in a broad range of stock options.

In order to ensure a liquid market, Liffe wanted to have a number of market-makers in every stock option. Unless more volunteers come forward, this target will be difficult to reach.

However, Mr Michael Jenkins, chief executive of Liffe, said that on a number of options two market-makers might be sufficient, providing other participants were acting as principal traders.

Last week, Liffe announced its planned merger with the London Traded Options Market on January 31 would be postponed for at least two months, due to legal and technical delays in the merger.

However, the physical shift of options trading from the stock exchange to Cannon Bridge will still go ahead on January 31, so traders say that in practice the current uncertainty over the market-making structure must be resolved by that date.

A number of possibilities are under consideration:

● Some firms involved in the equity options market are pressing for the number of stock options to be reduced.

"There is a tail of stock options that are virtually never traded," said one head of derivatives at a UK firm. "They need to be knocked out."

However, other firms say that trading volume in different options varies considerably and claim that a reduction in the number of options would decrease the efficiency of the market, as well as potentially causing staff redundancies.

● The long-standing argument over whether to move to a screen-based trading system has been resuscitated.

A number of the large integrated firms (which are active in the underlying cash market) are again pushing for the early introduction of screen-based trading.

Their failure to push this line of action earlier seems to have increased their unwillingness to commit themselves to market-making.

There remains considerable resistance to screen-based trading among smaller firms, which argue that in any case the move would not ensure greater liquidity.

Liffe's screen trading system is currently being developed but will not be ready for another year. Some traders suggest Liffe might consider buying an existing options trading system, most likely from the Deutsche Terminbörse, which trades German equity options, or OM which trades Swedish stock options, but such a drastic move appears unlikely.

● Some compromise may be reached over the nature of the market making system, to make the requirements less onerous.

Mr Jenkins maintains there is not one answer. "We are talking to all potential market makers to ascertain what their intentions are," he said. "We want to ensure that there are enough market-makers and principal traders to ensure a competitive market."

● The fitting out of Liffe's new building, which began in March, was budgeted at £30.7m ($55.2m), and the actual cost is not expected to exceed that amount. Telecommunications and systems account for £10m and the trading floor and facilities for £7.3m.

Trevor Humphries

Liffe's trading floor in River Building, Cannon Bridge, London, which opened yesterday

Japanese futures activity soars

By Emiko Terazono in Tokyo

JAPANESE futures activity has increased sharply this year with institutional investors switching their focus away from a sluggish cash market in equities.

Turnover in the Nikkei 225 futures index, which last year surpassed the Chicago Mercantile Exchange's Standard & Poor's 500 futures, reached Y499,400bn ($3,877bn) over the first 11 months of this year. Turnover in the Tokyo cash markets for shares stayed depressed. For the 11 months, turnover on the Tokyo Stock Exchange was Y102,000bn.

Stock futures trading and arbitrage trading were introduced into Japan in 1988. Last year, futures related trading by foreign brokers was blamed for exaggerating the decline in the stock market.

However, the low volumes in the cash markets following this year's spate of stock market scandals, have made trading in large amounts impossible in the cash stock market.

Life insurers and investment trusts, which already have high weightings in equities, have become active participants in the futures markets.

S Korea stock exchange to lift commissions

THE South Korea Stock Exchange (KSE) yesterday gave the go ahead for stockbrokers to raise commissions to a maximum 0.6 per cent from the current 0.4 per cent ceiling, Reuter reports from Seoul.

The Korea Securities Dealers Association (KSDA) had sought permission to raise the ceiling to 0.8 per cent.

Stockbrokers must inform the KSE by December 20 of any plans to raise their commissions.

S American trading agreement

By Victoria Griffith in Sao Paulo

THE stock exchanges of Brazil, Argentina and Uruguay are expected to sign an agreement today to pool trading and eventually establish an electronic link-up.

The accord is an outcome of the countries' intention to form a common market, known as the "Mercosul".

Under the deal, both individuals and institutional investors in all three countries will have the right to make trans-border purchases of equity.

Average daily trading volumes were around $50m in Brazil, $40m in Argentina and $4m in Uruguay this month. Because of its free exchange rate system, Uruguay's main role in the new common market will probably be as a clearing house.

Earlier this year, Brazil opened up its stock markets for the first time to foreign institutional investors, but the new accord represents the first opening to direct investments from foreign individuals.

The agreement also marks the first time Brazilians will be allowed to invest abroad. The move is expected to lift demand for Brazilian stocks.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Dec 13 Index No.	Thu Dec 12 Index No.	Wed Dec 11 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (180)	743.60	-0.8	9.11	6.48	14.04	34.30	749.60	743.84	728.51	722.69
2 Building Materials (23)	890.32	-1.1	7.83	7.00	17.24	46.51	900.53	894.01	849.19	973.97
3 Contracting, Construction (29)	905.17	-1.4	8.27	8.19	17.72	51.42	918.23	916.92	910.73	1137.77
4 Electricals (10)	2370.18	-0.4	10.17	6.25	12.51	98.23	2380.04	2365.15	2326.37	1923.77
5 Electronics (26)	1678.23	-0.5	10.95	5.12	11.58	53.94	1687.23	1648.63	1618.73	1555.47
6 Engineering-Aerospace (8)	326.38	-1.5	16.55	7.96	7.35	18.52	331.38	333.33	330.45	401.90
7 Engineering-General (43)	457.60	-0.1	10.52	5.48	11.73	18.20	457.14	454.40	450.13	365.47
8 Metals and Metal Forming (9)	304.89	-1.2	2.14	11.54	-	25.83	308.53	304.06	297.05	401.16
9 Motors (12)	292.50	-0.1	8.85	8.23	15.00	17.56	292.91	284.84	280.57	292.53
10 Other Industrial Materials (20)	1489.83	-0.9	8.04	5.58	14.81	59.05	1503.51	1501.72	1458.65	1259.43
21 CONSUMER GROUP (189)	1549.75	-0.2	7.58	3.55	16.24	40.73	1553.23	1546.96	1521.14	1229.37
22 Brewers and Distillers (23)	1908.62	-0.2	8.87	3.71	13.63	49.14	1912.81	1898.62	1883.14	1588.65
25 Food Manufacturing (19)	1214.69	-0.1	9.71	4.16	13.60	37.32	1215.43	1218.33	1190.34	1039.76
26 Food Retailing (17)	2379.05	-0.1	9.74	3.49	13.33	65.37	2381.59	2375.91	2323.38	2292.39
27 Health and Household (24)	4141.37	-0.4	4.97	2.32	23.11	72.62	4157.43	4137.14	4043.39	2569.38
29 Hotels and Leisure (24)	1206.14	-0.7	8.45	5.62	14.64	45.61	1214.24	1193.37	1164.71	1218.82
30 Media (23)	1328.31	+0.2	7.11	4.04	17.67	48.36	1325.25	1382.63	1278.76	0.00
31 Packaging, Paper & Printing (17)	728.16	+0.2	7.41	4.56	16.35	24.43	726.98	720.70	716.78	519.20
34 Stores (32)	991.66	-0.2	7.62	3.75	17.27	26.77	993.59	977.67	959.41	781.08
35 Textiles (10)	588.12	-0.5	7.88	5.28	16.20	22.28	591.36	593.95	583.80	602.49
40 OTHER GROUPS (112)	1178.70	-0.5	10.24	5.71	12.33	40.33	1184.52	1171.39	1154.07	1015.75
41 Business Services (13)	1346.19	-3.0	7.50	4.95	16.94	46.93	1387.98	1399.61	1387.71	0.00
42 Chemicals (21)	1367.06	-0.1	7.40	5.37	16.70	54.35	1368.78	1351.39	1338.77	1067.46
43 Conglomerates (11)	1286.39	+0.6	11.33	8.35	10.84	44.87	1278.64	1261.74	1234.85	1295.21
44 Transport (14)	2275.50	+0.1	5.64	4.97	23.35	79.12	2273.57	2234.42	2197.01	1897.56
45 Electricity (16)	1215.77	-0.9	14.83	6.19	8.77	27.53	1226.97	1205.80	1176.05	0.00
46 Telephone Networks (4)	1382.50	-0.5	11.35	4.53	11.50	30.42	1389.95	1384.72	1373.49	1170.98
47 Water (10)	2276.69	-0.9	18.76	6.98	5.87	151.44	2297.91	2276.99	2237.44	2165.47
48 Miscellaneous (23)	1731.20	-0.6	5.78	5.73	23.80	75.10	1741.75	1714.58	1690.74	1582.23
49 INDUSTRIAL GROUP (483)	1228.86	-0.4	8.69	4.74	14.39	39.66	1233.91	1225.40	1204.83	1140.35
51 Oil & Gas (19)	2204.09	-0.2	11.72	6.37	11.28	104.27	2208.28	2168.97	2130.11	2296.56
59 500 SHARE INDEX (500)	1314.29	-0.4	9.04	4.93	13.95	44.82	1319.35	1308.56	1286.43	1143.81
61 FINANCIAL GROUP (90)	710.65	-0.6	-	6.57	-	34.41	714.86	703.08	695.15	713.84
62 Banks (9)	839.85	-0.5	4.75	6.32	41.30	38.97	843.87	815.33	801.71	731.84
65 Insurance (Life) (6)	1401.12	-1.2	-	6.10	-	63.68	1418.00	1388.45	1368.09	1309.31
66 Insurance (Composite) (7)	495.75	-1.8	-	8.79	-	32.94	504.96	503.52	503.52	617.84
67 Insurance (Brokers) (10)	987.56	-0.2	8.27	6.78	15.91	49.46	989.65	988.61	970.72	973.35
68 Merchant Banks (7)	453.76	-	-	4.72	-	16.06	453.57	452.16	453.47	356.62
69 Property (35)	816.67	+0.3	6.04	5.77	24.36	33.34	814.60	822.85	815.94	976.18
70 Other Financial (16)	230.25	+0.2	11.53	7.59	10.91	13.03	229.80	229.31	229.18	254.86
71 Investment Trusts (69)	1164.60	-0.4	-	3.78	-	31.82	1169.05	1140.99	1124.47	1013.67
99 ALL-SHARE INDEX (659)	1170.11	-0.4	-	5.10	-	41.78	1174.88	1164.10	1145.30	1037.77

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Year ago
FT-SE 100 SHARE INDEX ♦	2440.8	-10.8	2447.7	2440.0	2451.6	2423.3	2380.2	2392.0	2409.6	2157.9

FIXED INTEREST

PRICE INDICES	Mon Dec 16	Day's change %	Fri Dec 13	Accrued Interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (27)	122.10	+0.04	122.78	1.95	11.70
2 5-15 years (27)	135.58	-	136.17	1.87	13.36
3 Over 15 years (8)	144.39	-0.04	144.45	1.39	13.28
4 Irredeemables (6)	160.16	-0.15	160.40	1.63	13.68
5 All stocks (69)	133.66	-	134.25	1.89	12.94
Index-Linked					
6 Up to 5 years (2)	167.26	+0.11	167.08	0.77	3.16
7 Over 5 years (9)	148.02	+0.11	147.86	0.92	4.26
8 All stocks (11)	149.55	+0.11	149.39	0.89	4.18
9 Debs & Loans (62)	114.68	+0.32	114.31	1.86	10.75

AVERAGE GROSS REDEMPTION YIELDS		Mon Dec 16	Fri Dec 13	Year ago (approx.)
British Government				
1 Low	5 years	8.63	8.63	9.80
2 Coupons	15 years	9.33	9.32	10.12
3 (0%-7¾%)	20 years	9.33	9.32	10.14
4 Medium	5 years	9.64	9.63	10.91
5 Coupons	15 years	9.45	9.44	10.47
6 (8%-10¾%)	20 years	9.42	9.41	10.36
7 High	5 years	9.87	9.87	11.03
8 Coupons	15 years	9.50	9.50	10.65
9 (11%-)	20 years	9.44	9.43	10.54
10 Irredeemables		9.53	9.51	10.35
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.97	3.99	3.84
12 Inflation rate 5%	Over 5 yrs	4.34	4.35	4.11
13 Inflation rate 10%	Up to 5yrs	3.28	3.30	2.45
14 Inflation rate 10%	Over 5 yrs	4.15	4.16	3.92
15 Debs &	5 years	11.18	11.16	12.63
16 Loans	15 years	11.00	11.00	12.39
17	25 years	10.83	10.84	12.15

‡Opening index 2446.0; 9 am 2440.0; 10 am 2444.5; 11 am 2443.7; Noon 2444.1; 1 pm 2447.2; 2 pm 2446.7; 2.30 pm 2445.9; 3 pm 2446.1; 4.10 pm 2441.4; (a) 10.31am (b) 9.11am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991. CONSTITUENT CHANGES; ADDITIONS: Sage Group (5), Seton Healthcare Group (27); DELETIONS: Maxwell Communications (30), Mirror Group Newspapers (30), Sun Life (65).

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	44	22
Other Fixed Interest	4	3	12
Commercial, Industrial	194	281	1,018
Financial & Property	75	134	569
Oil & Gas	15	19	58
Plantations	0	0	10
Mines	18	30	104
Others	37	27	81
Totals	359	538	1,874

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renun. Date	1991 High	1991 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renun. Date	1991 High	1991 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renun. Date	1991 High	1991 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings Dec. 16
● Last Dealings Jan. 3
● Last Declarations March 19
● For settlement March 30

3-month call rate indications are shown on this page.

Calls in Albert Fisher, Aran Energy, ASDA, Berisford Intl., T. Cowie, Ratners and Thames TV. Puts in Laura Ashley. Puts and calls in Aran Energy, T. Cowie and Glynwed Intl.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	42	Ladbroke	21	Sears	8
Allied-Lyons	9	Comm Union	40	Legal & Gen	33	Smith Bchm A	60
Amstrad	[illegible]	Courtaulds	35	Lex Service	18	[illegible]	[illegible]
Asda	[illegible]	Eurotunnel	15	Lloyds Bank	35	TSB	[illegible]
Babcock (BSR)	[illegible]	FKI	5	Lonrho	18	Tesco	[illegible]
BAT Inds	33	FNFC	13	Lucas Inds	19	Thorn EMI	[illegible]
BOC	40	Forte	21	Marks Spencer	22	T & N	[illegible]
BTR	33	GKN	20	Midland Bank	18	Unilever	[illegible]
Barclays	34	Gen Accident	40	NatWest Bank	25	Vickers	[illegible]
Blue Circle	20	GEC	13	P & O Dfd	25	Wellcome	[illegible]
Boots	25	Glaxo	75	Racal Elect	5	■ PROPERTY	
Bowater	55	Grand Met	67	RHM	21	Brit Land	24
Brit Aerospace	30	GRE	11	Rank Org	52	Land Sec	[illegible]
British Steel	10	Hanson	9	Ratners	[illegible]	MEPC	[illegible]
Brit Telecom	27	ICI	85	Reed Intl	38	Mountleigh	3
Cadburys	35					■ OILS	
						Aviva Pet	[illegible]
						BP	[illegible]
						Burmah Castrol	[illegible]
						Conroy Pet	[illegible]
						Gaelic Res	[illegible]
						Premier Cons	[illegible]
						Shell	[illegible]
						Tuskar Res	[illegible]
						Ultramar	[illegible]
						■ MINES	
						RTZ	[illegible]

UK COMPANY NEWS

YJ Lovell £20.3m in the red and passes dividend

By Jane Fuller

YJ LOVELL (Holdings), the UK house builder, property developer and contractor which recently breached its banking agreement, made a pre-tax loss of £20.3m in the year to September 30, compared with a £19.4m profit in the previous year.

The group's borrowings, which totalled £111.4m at the year-end including off-balance sheet liabilities, are being treated as an overdraft by its seven banks, led by Barclays.

Mr Antony Hichens, chairman, said Lovell had the support of its main UK banks and would have sufficient facilities to cover this year's requirements, so long as there was not a "major deterioration in the financial position of the group".

The scale of the losses, which amounted to £47.6m at the retained level, was expected as the company had warned of £61.5m provisions nearly three weeks ago.

It also confessed then that it would not pay a final dividend, in spite of having said it would maintain it when launching a £31m rights issue in April. This leaves the year's total at 2.2p (8.95p).

The share price fell 67 per cent to 32p on the day of the warning, which intensified worries about the construction and building materials sector. Yesterday's details knocked 2p off Lovell's price, which closed at 25p – a tenth of the January 1990 level when it was bidding for Higgs & Hill.

The provisions were more than double the amount envisaged in April. Mr Hichens said there had been a false dawn in the spring when it was believed that the improved affordability of houses would end the excessively long recession.

But the market had instead gone into decline again, necessitating a £12.7m write-down in the value of group's housing landbank – a cut of about 16 per cent.

The property portfolio was written down by £9.9m, or 19 per cent. These two figures comprised most of the £25.4m exceptional charges.

Below the line came a catalogue of closure costs, led by £20.4m for the urban renewal business.

The losses meant that in spite of the rights issue, net assets fell from nearly £92m (restated from £96m) to £70.4m. This accounted for the first breach of banking covenants, which had stipulated that net worth should not fall below £95m. The second breach was interest cover which Mr Hichens said was supposed to be about twice.

Although the figures showed operating profit of £11.8m (£39.9m) and interest payments of £6.7m (£13.9m), about £5.5m of interest had been included in provisions for business closures.

Net debt on the balance sheet was reduced from £93.9m to £66.7m, gearing of 95 per cent. Off balance sheet, there was a further £44.7m (£41.8m) of borrowings.

Mr Bob Sellier, chief executive since April, said his target was for gearing to come down to 50 per cent encompassing all borrowings. "It won't be this year. By the end of 1993, providing we can make the property disposals we want to, it won't be far away."

Turnover fell to £379m (£409.2m). Construction pre-tax profit declined to £1.17m (£11.8m), residential and commercial developments lost £464,000 (profit of £8.12m), partnerships with local authorities and housing associations advanced to £5.01m (£3.43m), US operations lost £621,000 (profit of £2.64m).

Losses per share amounted to 22.6p (earnings 23.9p).

Antony Hichens: Lovell has the support of its banks

● COMMENT

Investors, who paid 130p a share in the rights issue, must be hoping that the latest set of provisions – the third bite at the cherry since the 1989-90 accounts – will be the last and that the warnings, which started in August 1990, are also over. Turnrounds in the loss-making divisions and continued soundness in construction and partnership house building could deliver a pre-tax profit of £7m this year. Feed in further deterioration in Lovell's markets and it might do well to break even. With the banks closely monitoring the business, the risks mean that the low share price is not necessarily cheap, and those prepared to gamble will need some patience.

Restructure and board changes at Aitch

By Daniel Green

AITCH GROUP, which supplies clothing to retailers and mail-order companies such as Burton, Freemans and Littlewoods, is restructuring and reorganising to try to stem worsening losses.

Mr Harry Rogers yesterday stepped down as chairman and chief executive so that he could take private the women's outerwear part of the business, the Naughty Clothing Company, which accounts for about one quarter of turnover.

Mr A. Michael Green becomes chief executive. He and Mr Richard Lawson, both newcomers to the board, now own about 15 per cent of the company's equity.

The new chairman is Mr Stuart Hollander, who has been on the boards of several textiles companies since he left Coats Viyella in 1986. Yesterday Mr Hollander blamed the restructuring and reorganisation on difficult trading in the high street.

Hill Samuel, the merchant bank, has given its backing to a financial reorganisation after three months of talks. A circular will be posted next month.

Aitch will keep its businesses in branded shirts, shirt manufacture in Northern Ireland, two menswear and two womenswear importers and a swimwear manufacturer.

Aitch lost almost £1m in the six months to May 31, more than in the whole of 1990. Half year sales were £18.7m.

Attwoods 72% take up in rights issue higher than expected

By Richard Gourlay

ATTWOODS, the waste management company, where Sir Denis Thatcher is deputy chairman, yesterday announced a higher than expected take-up of its £80m rights issue which the troubled company was forced to seek in order to cut debt.

S.G. Warburg Securities said 72.4 per cent of the 82.9m shares were subscribed for and the balance was successfully placed yesterday morning with a wide range of institutions.

Some 27.2 per cent of the deeply discounted cash call was taken up by Laidlaw, the Canadian school transport to waste management group, which is Attwood's largest shareholder.

Laidlaw also took up 3m extra shares in the deeply discounted 9 for 25 cash call, raising its stake to 29.97 per cent.

Attwoods share price rose 5p to 110p.

Mr Ken Foreman, the chairman, welcomed the outcome of the rights issue. "The underlying business is sound but we have alot of damage repair to do," Mr Foreman said.

Last year some 69 per cent of Attwoods' profits were in the US and 75 per cent of its sales. Mr Foreman said sales were holding up both in the US and in the UK.

Proceeds of the rights issue cut net net debt to £45m and gearing to 19 per cent.

Mr Foreman said two investigations in the US, including a criminal investigation by the US Defence Department, were "not serious" and that no charges had yet been brought against the company.

GWR replaces chairman as litigation looms

By Norma Cohen, Investments Correspondent

SHAREHOLDERS in Great Western Resources, including the Kuwait Investment Office, have forced the replacement of the company's chairman, Mr Dan Pena.

The new non-executive chairman is Mr Howard Wolf, a senior partner in the Houston, Texas-based law firm of Fulbright and Jaworski who has previous experience in reversing the fortunes of several troubled companies.

Mr Pena will remain as president and chief executive of the beleaguered oil, coal and gas concern.

A group of shareholders, including the KIO – which has a 32 per cent stake – and GWR's own financial advisers were said to have supported the appointment of a new chairman after Mr Pena disclosed he had received an additional \$2m (£1.10m) in payments from the company in addition to his annual salary.

A portion of those payments were in the form of loans which shareholders will be asked to approve at the company's annual meeting early next year.

Yesterday, GWR said it will omit its final dividend for the fiscal year ended September 30, 1991.

The company also said it is in talks with its bankers regarding a restructuring of its debts, which totalled £77.5m as of March 31, 1991.

The company's financial difficulties stem from a suit filed against it in November 1990 by its single largest customer, South Carolina Public Service Authority, in which it charged GWR with conspiracy, fraud and inducement to breach fiduciary obligations.

SCPSA is seeking \$60m in damages, claiming that it had paid too much for coal purchased from GWR. Since the suit was filed, SCPSA's former purchasing manager has been indicted on charges of accepting payments.

SCPSA had an agreement to purchase all the of the coal produced by a single GWR subsidiary and was responsible for 53 per cent of all GWR's revenues. However, following an investigation by South Carolina law enforcement authorities and the Federal Bureau of Investigation into SCPSA's supplier contracts, SCPSA sought an audit of GWR's books.

When efforts to obtain a full audit failed, SCPSA filed the suit.

FKI $20m US disposal

By Jane Fuller

FKI, the electrical engineering group, has sold its poorly performing rail-related air conditioning businesses for \$20.5m (£11.3m) cash.

The sale will help to reduce gearing, which stood at 28 per cent in September on net debt of £75m. Enprotech, part of the C Itoh group, is the purchaser.

The companies being sold are part of the Stone group and have factories in the US, Spain and the UK. Stone subsidiaries not involved in air conditioning are being kept by FKI.

NEWS DIGEST

Hardys & Hansons tops £7m

PROFITS BEFORE tax of Hardys & Hansons, the Nottinghamshire-based brewer, rose from £6.34m to £7.04m for the 53 weeks ended October 4.

The 11 per cent improvement was achieved from a turnover, excluding VAT, 16 per cent ahead at £29m – comparable figures were for 52 weeks.

Earnings emerged at 96.335p (81.83p) and a proposed final dividend of 24.1p makes a 37.5p (33.5p) total.

Ship sale boosts Graig Shipping

Graig Shipping, the Cardiff-based transport, mineral and investment company, achieved an increased pre-tax profit of £1.7m for the half-year to September 30.

The figure – up from £666,000 last time – was struck after profits of £3.56m (nil) from the sale of a ship and £2.06m (nil) written off investments.

Earnings per share came out at 10.8p (4.3p) after tax of £658,000 (£233,000) and there is an increased interim of 2p (1p).

Resort Hotels purchase option

Resort Hotels, based in Brighton, has entered a reciprocal option agreement with County Resort Hotels, a Business Expansion Scheme (BES) company which owns and operates seven hotels.

Under the agreement Resort will have the option to acquire the assets, liabilities and undertakings of County once that company's five-year BES period has expired in April 1993 or be required to acquire the company's equity for 9.87m new shares.

Based on a 98p middle market price for Resort shares on December 13, consideration would be £9.7m, representing a discount of 6.7 per cent to County's net assets of £10.4m as at April 30 1991.

Bellwinch announces refinancing package

Bellwinch, the troubled housebuilder based in the south of England, has announced a refinancing package which includes transfer of ownership of a £9.5m London Docklands site to its banks, a £2.8m open offer, capital reconstruction, and pay cuts for directors.

Following the announcement, shares in the company – suspended at 3p since August – resumed trading.

In the capital reconstruction, the company's existing 32.9m ordinary 10p shares will be sub-divided and consolidated into 3.29m 25p converted shares and 98.7m 2.5p deferred shares.

About £2.8m net will be raised through a placing and open offer of 13.2m new 25p shares on the basis of two new shares for every five existing shares at a price of 25p each.

The new shares have been conditionally placed by Credit Lyonnais Laing with institutional and other investors.

Midland Bank and Royal Trust Bank – which now own the Docklands housing site – have been granted options to subscribe for new shares which could result in their holding an aggregate 14.25 per cent of the enlarged share capital.

Bellwinch announced a £15.1m loss for the year to June 30, up from £4.85m the previous year.

Richmond Oil edges into profit

Richmond Oil & Gas, the US natural resources group quoted in London, returned pre-tax profits of £23,000, compared with previous losses of £1.02m, for the half-year ended September 30.

The directors said the results did not reflect the benefit of most of the profit on the sale of the San Juan Basin nor overhead cost savings made subsequently to the period-end.

They said "significant further profit remains to be reflected in the second half".

Turnover expanded from £812,000 to £5.73m. There was an exceptional credit of £231,000 relating to the San Juan Basin sale.

Worthington rises to £244,000

Worthington Group, a button supplier and maker of sewing threads, achieved a rise in pre-tax profits from £234,000 to £244,000 for the six months ended September 30.

Turnover of £4.33m compared with £3.58m.

The group is restoring interim dividends via a 0.3p payment. Earnings per share amounted to 1.7p (1.5p).

United Industries incurs £609,000 loss

United Industries, with interests in materials handling, springs and pressings, cutting tools and process machinery, incurred a loss of £609,000 pre-tax for the half-year ended October 5.

That compared with profits of £593,000 for the opening half of the previous year and with losses of £1.49m for the second six months.

There were exceptional costs of £106,000 (credits £438,000) but lower net interest charges of £535,000 (£748,000).

Losses per share worked through at 1.93p (earnings 1.41p) and the interim dividend is being passed – 0.5p was paid previously.

Turnover declined from £21.47m to £16.53m.

Cont Stationery declines 21%

Continuous Stationery, the printer of business forms and stationery, suffered a 21 per cent downturn in interim pre-tax profits to £657,000.

Turnover for the half-year to September 30 slipped from £8.95m to £8.43m.

Although profits and turnover both showed improvements over the second half of the previous year the directors pointed out that activity levels in the two divisions remained at "stable if depressed levels".

An uncertain outlook has prompted them to reduce the interim dividend by 0.4p to 0.8p. Earnings emerged at 2.61p (3.21p).

£3.5m buy-out at Crown Graphic

Crown Industrial Group, the corrugated board and case manufacturer, has sold Crown Graphic (Europe) to its management in a £3.5m buy-out supported by Lloyds Bank and 31, the investment capital group.

Crown Graphic (Europe) has three operating divisions with an annual turnover of £10m manufacturing and designing industrial instruments.

The opportunity for the buy-out arose after the parent company decided to concentrate on its core activities.

Amberley slides to £75,000

Taxable profits at Amberley Group, the USM-quoted company involved in building preservation services, fell from £133,000 to £75,000 in the six months to September 30.

Mr Dennis Buchley, chairman, said the results were "adversely affected" by lower interest receivable than last time.

He also ascribed the downturn to the fact that the small increase in turnover – from £1.52m to £1.59m – was insufficient to generate gross profits at a level to make up for increased overhead costs.

Earnings fell to 0.59p (1.13p) per share.

Philip Harris up 36% to £624,000

Philip Harris Holdings, which supplies equipment and materials to the scientific, educational, industrial and medical markets, lifted pre-tax profits by 36 per cent from £459,000 to £624,000 in the six months to September 30.

Mr Robert Jordan, who became chairman at September's annual general meeting, said: "In line with accepted practice, we have allocated the holding company costs to the operating divisions and have adjusted the year-on-year comparisons to reflect this change in policy."

With gearing lower at 36 per cent (59 per cent) and lower interest rates, the interest charge fell to £287,000 (£411,000). Turnover climbed to £36.6m (£32.9m). Operating profits in the education and scientific side fell to £473,000 (£602,000) and in the medical side rose to £436,000 (£298,000).

Earnings were up at 5.11p (3.95p) and the interim dividend is held at 2p.

Anglo United seeks buyer for docks arm

Anglo United, owner of the Coalite smokeless fuel business, is putting the Seaham Harbour Dock Company on the market as part of its programme of disposals of non-core businesses to cut debt.

The dock, in County Durham, made an adjusted profit before tax and interest of £1.4m in the year to end-March. Adjusted net assets at that date were £7.9m.

DC Gardner sells offshoot for £2.8m

DC Gardner, the accountancy and banking training group, has agreed to sell ATC Chart, its accountancy training subsidiary, to BNB Resources, the recruitment, advertising and public relations consultant, for £2.83m cash. ATC Chart will repay inter-company debts of £2.14m prior to completion.

At the same time the Gardner board is to be restructured as of December 31. Mr Stephen Johnson, chairman of Coutts, the outplacement subsidiary, is to become chairman. Mr Barry Topple is to become chief executive and Mr Mark Allsup and Mr Max Nicholson have resigned.

Fukutake expresses a continued interest in taking over Berlitz

By Emiko Terazono in Tokyo

FUKUTAKE Publishing, the Japanese correspondence course company which early last month agreed to buy a 55.6 per cent stake in Berlitz International from Maxwell Communication Corporation for \$265m (£147.2m), yesterday expressed its continued interest in Berlitz.

The Japanese company said it was still interested in buying Berlitz, the language instruction company, despite a pledging of the shares as collateral by Mr Ian Maxwell and Mr Kevin Maxwell for loans made by a Swiss based bank.

"Berlitz is to become an important part of our global strategy, and we have already procured funds for the purchase," said a spokesman for Fukutake.

The company added that it was getting a little worried over the complicated situation in the UK, but its advisers – Nikko Securities, Industrial Bank of Japan and Blackstone, a US consultant agency – were taking care of the matter.

Fukutake said that it would wait for the outcome and did not intend to take any legal action against MCC or the two Maxwells.

Meanwhile, a spokesman for Mr Ryoichi Sasagawa, a Japanese billionaire and long-time friend of Mr Robert Maxwell, said Mr Sasagawa did not intend to purchase any assets of the Maxwell and Mirror groups, and had not been contacted by the Robert Maxwell Group for financial aid.

● The big four brokers – Nomura, Daiwa, Nikko and Yamaichi – have been receiving complaints from unhappy Japanese investors who bought Maxwell Communication Corporation shares through a public offering in December 1989.

Nikko Securities, the main underwriter of the 30m share offering, said it had received complaints for the lack of information given to investors at the time of the offering, but countered it had provided all available information concerning MCC to investors.

It added that it was not to blame for the fall in MCC share prices, since Nikko could not have forecasted the outcome of Mr Robert Maxwell's death. Nomura Securities said it was relaying all available information to investors.

The stocks were marketed to retail-based clients at 232.7p per share, allowing MCC to raise Y16.2bn through the sale.

MCC had not been listed on the Tokyo Stock Exchange, and received special permission by the ministry of finance in order to raise funds in Japan through a public offering.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Cont Stationery ......int	0.8	Feb 4	1.2	-	4
Graig Shipping ......int	2		1	-	4
Hardys & Hansons ...fin	24.1	Mar 9	22.3	37.5	33.5
Harris (Philip) ......int	2	Feb 3	2	-	5.75
Lovell (YJ) ......fin	nil	-	6.75	2.2†	8.95
Mosaic Invs ......int	3.75	Apr 6	3.5	-	9.25
NMC Group ......int	1.25	Jan 31	1.25	-	3.55
Prospect Inds ......fin	0.31*	-	0.1	0.4	0.2
Utd Industries ......int	nil	-	0.5	-	1
Worthington ......int	0.3	Jan 27	nil	-	0.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock.

Ivory & Sime investment companies to merge

By Philip Coggan, Personal Finance Editor

THE BOARDS of First Charlotte Assets Trust and Clydesdale Investment Trust, two investment companies managed by Ivory & Sime, are recommending a merger.

The merged trust would be renamed I&S UK Smaller Companies Trust and will have pro forma combined net assets of £20.3m.

Clydesdale shareholders will be offered First Charlotte ordinary shares on a basis that merges the companies at their respective formula asset values (FAV), plus one First Charlotte warrant for very five ordinary shares allotted. The FAVS will be determined on the day the offer goes unconditional.

The directors of First Charlotte said that the merger would achieve an increase in the spread of investments and in the size of the asset base. Mr Wilf Beresford, director of Clydesdale said that "shareholders who accept the offer will have the opportunity to continue with a similar investment in a larger company."

Ivory & Sime took over the management of Clydesdale earlier this year when it acquired Argosy Asset Management, the company which had previously managed the Merchant Navy Officers' pension fund. Letters of intention to accept the offer have been received from holders of 80.4 per cent of Clydesdale.

Astra suffers higher losses of £3.5m midway

By Jane Fuller

ASTRA Holdings, the munitions company which is being investigated by the Department of Trade and Industry, suffered an increased pre-tax loss of £3.5m in the six months to September 30.

This was about £1m worse than the first half of last year, although the main difference was the £478,00 exceptional cost of renegotiating a £50m multi-currency credit facility.

At the operating level the group, which was brought low by its purchase of BMARC in the UK and by an abortive Belgian deal, made £63,000 profit compared with a £257,000 loss. This was achieved with the help of a £178,000 currency gain.

However, the turnround was dwarfed by interest costs which continued to run at more than £3m for the six-month period.

Mr Roy Barber, the company doctor who has chaired the group since March last year, said its borrowings remained at the year-end level of about £44m. The group was surviving because it was "paying its interest and the alternative would be very unpleasant for the banks", which are led by the Bank of Boston and include Midland Bank and Hill Samuel.

The £50m facility has been extended until June 1992. Talks are continuing on how to restructure the debt, with an equity swap as one of the possibilities, which would effectively make the banks the owners. At yesterday's share price of 4p, the group's market value is £3.6m.

The strain of keeping up interest payments has cut off funds for product development and capital spending.

Astra's first-half turnover fell from £44.3m to £40.4m, with BMARC's contribution 51 per cent down at £6.4m. Although it made a loss, Mr Barber said the damage was limited by £4m of annual savings achieved since March 1990. Since September, its sales had picked up.

The profitable US subsidiaries had continued to improve their performance in spite of some deferred deliveries.

The loss per share was 3.9p (2.1p). There is again no interim dividend.

NMC maintains interim despite profit fall to £2.3m

NMC GROUP, the packaging company which owns UPC, the US carton manufacturer, is to maintain its interim dividend at 1.25p despite sharply reduced pre-tax profits and falling sales.

Pre-tax profits for the six months to September 30 were down to £2.29m against £4.01m last time, when the figure included £426,000 profits on property activities since discontinued.

"We have had to come to terms with the recessionary conditions on both sides of the Atlantic," said Mr Norman Gordon, chief executive. The group's half-year performance was "disappointing", he said, and was hoping for better profits next year.

"But these are difficult times for a business as close to the consumer as ours."

Turnover was down from £59.6m to £43.5m, with the fall being partly accounted for by lower US sales owing to adverse market conditions and a weaker dollar. Sales in October and November have, however, been "encouraging", said Mr Gordon.

In the UK, costs have been cut, "but no marked improvement in profitability is expected before next year," he added.

The lower added value items in the UK have been particularly hard hit by intense price competition.

"The problem is being addressed by significantly cutting costs associated with the lower added value products," said Mr Gordon. "We are well down the road in tackling the problems but it is unlikely that this will result in any significant benefit in the current financial year."

Earnings per share came out at 2.7p (4.74p) fully diluted. There was an extraordinary debit of £650,000 representing the provision for costs of the unsuccessful bid for the API Group. This is compared with an £11.1m credit last time.

Hobson halves losses to £42,000

USM-quoted Hobson halved its pre-tax losses in the six months to September 30, from £89,000 to £42,000.

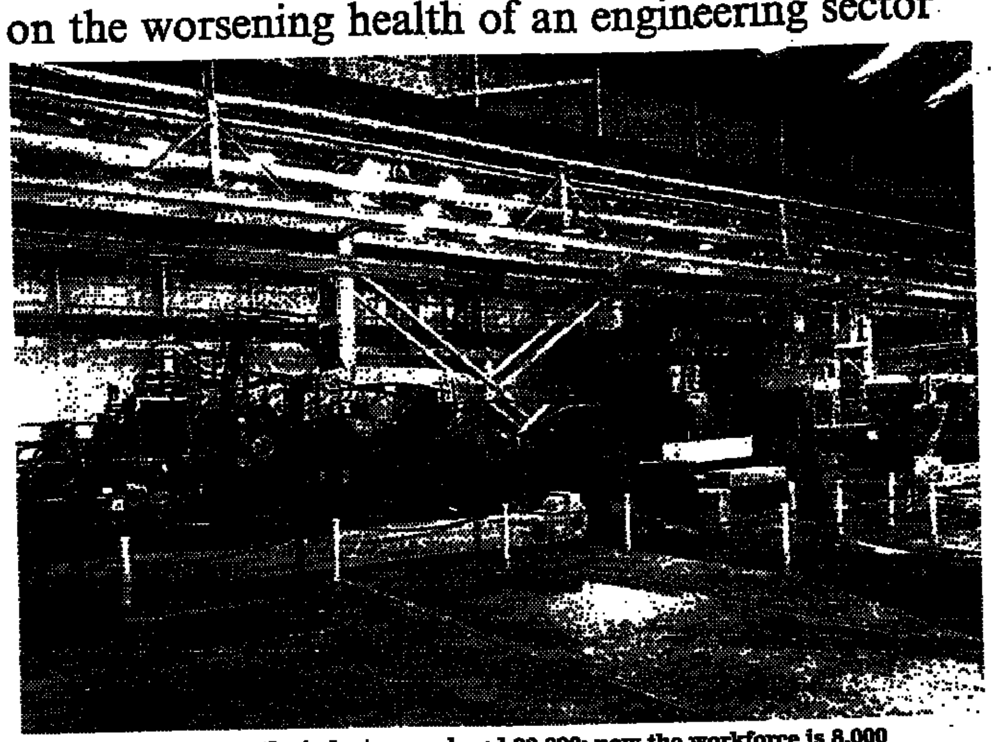
Mr Richard Thompson, chairman, said that the difficult trading conditions continued to undermine the progress at Shepshed Toiletries.

Commodity trading had made a solid contribution to the improvement in the results, Mr Thompson said, and Sharpstow International Homecare Products had resumed shipments to customers in the Persian Gulf, following the cessation of hostilities.

Group turnover rose to £2.38m (£1.25m) and the operating loss was reduced to £60,000 (£167,000). Interest receivable fell to £18,000 (£78,000). Losses per share were 0.1p (0.22p).

Forging: hardly a licence to print money

Paul Cheeseright on the worsening health of an engineering sector



A forge in 1977 when the industry employed 22,000: now the workforce is 8,000

THE FORGING industry, touchstone of UK engineering, is suffering as its main customers in the automotive and aerospace sectors wrestle with recession. The downturn in British forging output, strikingly evident since last year, shows little sign of relenting.

"This year we'll be lucky to get 200,000 tonnes," said Mr David Powis, director general of the British Forging Industry Association (BFIA). In 1990, production of steel forgings was 230,291 tonnes, 15 per cent down on 1989, the year which, retrospectively, marked the industry's zenith after the 1980s recession.

Lower volumes are forcing another round of restructuring in the industry, although not necessarily on the same scale as during the 1980s recession and its aftermath. But then there is much less industry to restructure.

"When we came into the recession in 1989-90, there was nothing like the over-capacity there was in 1978-80; people were in a lot better shape," noted Mr Graham Mackenzie, chief executive of United Engineering Steels (UES), the dominant force in the UK industry, controlled by British Steel and GKN.

"That said, there has been quite a considerable reduction in employment. We've borne our fair share of that as volumes have dropped. It's almost certain – because of productivity and new investment – that the numbers won't come back," Mr Mackenzie added.

Indeed, a combination of automation and contraction has reduced the industry's employment roll to about 8,000 from 22,000 in the late 1970s. Production tonnage is now less than half that before the 1980s recession.

About 45 per cent of that production comes from the forging division of UES. The rest is spread widely, split between companies which are part of larger quoted groups like Johnson & Firth Brown, Hawker Siddeley and Williams Holdings, and a host of independent private companies. Mr Powis puts the total size of the sector at "between 60 and 70 companies of any significance."

With varying degrees of sophistication, these companies use hot or cold processes to shape the steel, the most commonly used raw material. The shape of a product is defined by a die. Either a hammer beats or a press squeezes the steel into the die. "The hammer is cheaper and more versatile; for mass production the press is quicker," said Mr Don Parkes, managing director of Epag International, the Walsall forging company.

Axle beams and hubs, crankshafts, connecting rods, spindles, gears, pipe fittings, scaffolding fittings, blades and engine casings all come out of the forging industry. Around 60 per cent of the forgings go to the automotive sector. About 20 per cent of the industry's output goes to the aerospace sector. And these two sectors currently are at best sluggish, at worst sick.

Contending with these weakened markets, UK forging companies are having to come to terms with their own history. "I think there has been far too much conservatism in the industry. Some of it is due to the fact that the equipment lasts a long time. A hammer can last for 40 years and they're costly to buy new," said Mr Parkes.

Continental forging companies are generally better equipped than their British competitors, according to Mr Bob Jones, a partner of Mr Parkes at Epag and director of operations at Bromsgrove Industries, an engineering conglomerate with forging interests. "The return on capital plant in the British forging industry is seven to 10 years and, for most of the groups, the return is not quick enough," he said.

Although companies like UES invested heavily in the second half of the 1980s, more generally investment in primary equipment throughout the rest of the industry seems to have been small. The BFIA keeps no statistics on capital expenditure but Mr Powis observed that, "there has been quite a lot of investment in ancillary equipment – furnaces, dieshops, tooling. You get more for your money that way than buying a new press," he said.

This points to the fact that forging is not an industry where there has been any extensive technological advance in the basic process. "It's the bits round the edge which change – there's still a big thump at the press which does the job," commented Mr Mackenzie.

He noted two specific thrusts in the changes which are taking place: first, the introduction of computer numerically controlled die-making, and, second, innovation in the handling of the steel and in dedicated facilities: that is, a production line dedicated to a particular product.

The first is to some extent a question of cost-cutting, the second a matter of producing a better product. Mr Jones noted that, among competing forging companies, material and labour costs are basically the same. "So you have to look at where you can find profit. You can only look in one area and that's the toolroom." Cost savings come when dies are made in a shorter time and when their quality is better.

He observed that the German forging companies had been quicker than the British in installing dedicated facilities. Specialisation tends to lead to higher quality and higher volumes, a significant factor when car-makers, for example, are consolidating among themselves, and hence using more common parts, while at the same time reducing the number of their suppliers.

Such changes in the structure of the industries served by the forging companies, combined with the weight of recession, will affect significantly the shape of the British forging industry. Its future depends on its competitiveness on a European, rather than a national, scale.

Mr Mackenzie predicts rationalisation into a smaller number of better invested companies. Many smaller family businesses will fall by the wayside, while medium-sized companies will be prone to takeover. He believes two types of company will emerge: what he calls "deep niche players" making a small range of specialised products and companies "with linkages back to the steelmakers", like Krupp in Germany and, indeed, his own forging division at UES.

Greig Middleton launches new investment trust

By Norma Cohen, Investments Correspondent

GREIG Middleton and Co said it is launching a new investment trust which will, in turn, invest in zero-coupon preference shares as well as in the high-yielding income shares of other split capital investment trusts.

The new trust, Exeter Preferred Capital Investment Trust, will raise £40m in early January by selling a combination of zero-coupon debentures and ordinary shares. The trust will have a windup date in 1992 and the debentures will be priced to offer a gross redemption yield of about 1.25 per cent above 10-year UK government gilts.

Greig Middleton said that while the debenture holders have a prior charge on assets of the trust, the implied yield on the securities is lower than what is expected to be earned from the underlying investments. These are the income shares of other investment trusts which, while not entitled to share in any capital appreciation of their underlying investments, accrue all the dividend income.

Exeter's underlying investments will be managed by Greig Middleton and Ian Henderson Associates, who also manage the funds of Dartmoor Investment Trust. Greig Middleton said its Dartmoor fund was among the top three performers among split-capital investment trusts in 1991.

Investors who purchase securities during the initial offering period will be entitled to place up to £6,000 in a Personal Equity Plan.

Series of classification changes to the London Share Service

A SERIES of changes to the classifications of companies listed on the London Stock Exchange was made at the last quarterly meeting of the FT-Actuaries Indices Classification Sub-Committee.

As a result, the following stocks will be moved to new categories in the London Share Service with effect from January 2 1992:

AAF to Other Industrial Materials (FT-A sector 10) from Other Financial (FT-A sector 70); Antares Group to Building Materials (2) from Oil & Gas (51); Barry Wehmiller International to Engineering, General (7) from Other Industrial Materials (10); Beta Global Emerging Markets Investment Trust to Investment Trusts (71) from Other Financial (70); Blick to Electronics (5) from Electricals (4); Booth Industries to Engineering, General (7) from Contracting & Construction (3); Chieftain to Building Materials (2) from Business Services (41); Close Brothers to Merchant Banks (68) from Other Financial (70); Conroy Petroleum to Oil & Gas (51) from Other Industrial Materials (10); Crown Eyeglass to Health & Household (27) from Stores (34); Euromoney Publications to Media (30) from Packaging, Paper & Printing (31); Geared Income Investment Trust to Investment Trusts (71) from Other Financial (70); Grosvenor Development Capital to Investment Trusts (71) from Other Financial (70); Haemocell to Health & Household (27) from Miscellaneous (48); James Halstead to Chemicals (42) from Textiles (35); Hawthorn Leslie to Telephone Networks (46) from Business Services (41); Helene to Textiles (35) from Stores (34); High Point to Property (69) from Media (30); Huntleigh Technology to Health & Household (27) from Miscellaneous (48); Lionheart to Miscellaneous (48) from Conglomerates (43); London Associated Investment Trust to Property (69) from Other Financial (70); Mezzanine Capital & Income to Investment Trusts (71) from Other Financial (70); Newmarket Venture Capital to Investment Trusts (71) from Other Financial (70); Michael Page to Business Services (41) from Media (30); Plasmec to Engineering, General (7) from Miscellaneous (48); Platon International to Engineering, General (7) from Other Industrial Materials (10); Ralston Investment Trust to Investment Trusts (71) from Other Financial (70); Serco to Business Services (41) from Miscellaneous (48); Severfield-Reeve to Contracting & Construction (3) from Metals & Metal Forming (8); Sumit to Investment Trusts (71) from Other Financial (70); Tex to Other Industrial Materials (10) from Engineering, General (7); Total Systems to Miscellaneous (48) from Metals & Metal Forming (8); Turkey Trust to Investment Trusts (71) from Other Financial (70); Waverley Mining Finance to Investment Trusts (71) from Other Financial (70).

Also with effect from January 2 1992, the Investment Trusts category will be divided into two sections, consisting of investment trusts authorised by the Inland Revenue under Section 842, and those which have not been so authorised.

For investment trusts in which there is a consistently satisfactory volume of dealings through the London Stock Exchange, the FT will show net asset value per share and the discount or premium of the current share price to NAV per share. Details of all other investment trusts and similar closed-ended funds will continue to appear under Other Financials.

With effect from January 2 1991, secondary lines of stock will be included in the FT-Actuaries Equity Indices provided that the secondary line has a free float of at least 25 per cent, accounts for at least 20 per cent of the nominal capital of the company, is quoted on SEAQ and that the equivalent capitalisation of the secondary line is greater than £40m - the current "casualty" level of the FT-A.

Where these screens elminate a secondary line, the weighting of the primary line will continue to be adjusted to reflect the secondary line.

Secondary lines to be included separately in the FT-A Equity Indices on January 2 are Daily Mail and General Trust Ordinary; Gestetner Holdings Capital; Hammerson Property Ordinary; John Laing Ordinary; London Merchant Securities Deferred Ordinary; Paterson Zochonis Ordinary.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables

TODAY

Interims- Baileys, Border TV, Brasway, Bromsgrove Inds., Clayhithe, Elsburg Gold, Faupel Trading, Gold Greenlees Trott, Halma, Melville St. Inv., Southern Electric, Trimoco, Western Areas Gold, Witwatersrand.

Finals- Berisford Intl, GWR, Greencore, Lee (Arthur), Randfontein Ests, Sanderson Electa, Yorkshire TV.

FUTURE DATES

Interims-	
Danae Inv. Trust	Dec. 19
Jones Stroud	Jan 9
Finals-	
Abbey Panels Inv.	Dec. 19
Bett Bros	Dec. 20
Dewhurst	Jan. 9
Eurocopy	Jan. 7
Gestetner	Dec. 18
LPA Inds	Jan. 17
Scottish American Inv.	Feb. 7
Western Selection	Dec. 16

FT LAW REPORTS

Belgian shipowner can be sued in UK

UNION TRANSPORT PLC
v
CONTINENTAL LINES SA AND OTHERS
House of Lords
(Lord Keith of Kinkel, Lord Ackner, Lord Goff of Chieveley, Lord Jauncey of Tullichettle and Lord Lowry):
December 12 1991

SHIPOWNERS domiciled in a country subject to the 1968 Brussels Convention may be sued by charterers in the UK for failure to nominate a vessel in London and to provide it elsewhere, in that the UK is the place of performance of the principal of the two disputed obligations, namely the obligation to nominate without which the charter process cannot begin, and jurisdiction once founded on that primary obligation includes accessory obligations.

The House of Lords so held when dismissing an appeal by the defendant shipowners, Continental Lines SA and others, from a Court of Appeal decision that the English court had jurisdiction to hear a claim by the plaintiff charterers, Union Transport plc.

LORD GOFF said that the shipowners were domiciled in Belgium.

The charterers claimed that in December 1988 a fixture was concluded for a voyage charter of a vessel to be nominated by the shipowners, for carriage of a cargo of telegraph poles from Fernandina in *Florida* to Chalna in Bangladesh.

It provided "vessel to be nominated ... suitable to load telegraph poles ... 14 days' Laycan with five days' definite arrival notice".

The charterers contended that the fixture incorporated the terms of a previous charterparty between the parties, which included a provision requiring payment of commission in London, a London general average clause, and a London arbitration clause.

It was the charterers' case that the resulting charter was expressly or impliedly governed by English law.

A dispute arose in January 1989 as a result of which the shipowners intimated they were no longer interested in lifting the cargo.

In February 1989 the charterers began arbitration proceedings in London claiming damages on the ground that the shipowners had failed to nominate a vessel.

The shipowners appointed an arbitrator, without prejudice to their contention that there was no concluded contract.

When an issue arose as to the existence of a charterparty containing a London arbitration clause, the party claiming there was such a charterparty would usually commence proceedings in London for a declaration to that effect.

Being domiciled in Belgium, the shipowners invoked article 2 of the Jurisdiction and Judgments Convention 1968 (the Brussels Convention), which provided that, subject to Convention provisions, persons domiciled in a contracting state should be sued in the courts of that state.

Article 1 provided that the Convention did not apply to arbitration. But the dispute arose under the shadow of the *Marc Rich* litigation in which buyers commenced arbitration in London relying on a London arbitration clause, and sellers, disputing incorporation of the clause, commenced proceedings in Italy. Mr Justice Hirst held the Convention did not apply. The Court of Appeal referred the matter to the European Court of Justice.

Faced with that situation, the charterers in the present case decided to commence fresh proceedings in the Commercial Court, claiming damages for breach of charterparty.

They relied on article 5(1) of the Convention, which provided that a person domiciled in a contracting state might be sued "(1) in matters relating to a contract, in the courts of the place of performance of the obligation in question".

The charterers contended that the place for performance of the obligation to nominate a vessel was London, and therefore, under article 5(1), the shipowners could be sued in the UK.

In *Marc Rich (FT, October 16 1991)* the European Court held that arbitration in its entirety was excluded from the Convention, including proceedings before national courts, even if the existence or validity of an arbitration agreement was a preliminary issue in those proceedings.

In the Commercial Court, the charterers claimed damages from the shipowners on the grounds that, in breach of contract, they failed to nominate or to provide a vessel.

The shipowners argued that since the obligation to provide a vessel was not to be performed in England, the charterers could not found jurisdiction under article 5(1).

They therefore applied to set aside the writ and service. Mr Justice Evans dismissed the application. The Court of Appeal dismissed the shipowners' appeal. They now appealed from that decision.

Section 3(1) of the Civil Jurisdiction and Judgments Act 1982 provided that any question as to the meaning and effect of the Convention should be determined in accordance with principles laid down by the European Court.

Applying such principles, in particular *Shenevai v Kreischer [1987] ECR 239*, Mr Justice Evans and the Court of Appeal concluded that the obligation in question was the obligation to nominate a vessel, and that (as was no longer in dispute) the place for performance of that obligation was in London. Accordingly the English courts had jurisdiction under article 5(1).

That conclusion was correct.

In *De Bloos [1976] ECR 1497* the European Court held that "obligation" in article 5(1) referred to the contractual obligation forming the basis of the legal proceedings.

It followed that regard must be had to the contractual obligation under consideration, and not to the contract as a whole.

In *Ivenel v Schwab (case 133/81)* which was concerned with employment, the court rejected the *De Bloos* test as inapplicable in the case of employment contracts.

Ivenel was later recognised by the Rome Convention as a specific exception. Subsequent authority confirmed that it should be read as restricted to contracts of employment, and not regarded as of general application.

In *Shenevai* the Court explained that contracts of employment differed from other contracts by virtue of certain particularities, on account of which the court of the place in which the characteristic obligation was to be performed was best suited to resolving disputes.

The Court said when those particularities did not exist, the variety and multiplicity of contracts as a whole were such that the criterion might create uncertainty as to jurisdiction.

It said there was no uncertainty if regard was had solely to the contractual obligation whose performance was sought in the judicial proceedings, and that: "Where various obligations are at issue, it will be the principal obligation which will determine jurisdiction."

In the present case the courts below concluded that of the two obligations pleaded, the principal one was the obligation to nominate a vessel.

Mr Justice Evans said the charterparty, which called for tonnage to be nominated, did not identify the vessel and was fundamentally different from a charterparty with a named vessel – the process could not begin until the vessel was nominated, and nomination was necessary to identify the vessel.

He said the principal obligation was failure to nominate, and jurisdiction was therefore established, and it followed that the jurisdiction included other accessory obligations.

A charter which called for tonnage to be nominated – a t.b.n. charter – was for present purposes quite different from charter of a named vessel.

Nomination of a vessel under such a contract was not a mere naming of a vessel. It was rather the identification of the subject matter of the contract, with the effect that the name of the vessel, once nominated, became written into the contract.

Furthermore, nomination triggered certain other obligations under the contract, notably obligations on the charterers to keep the shipowners informed of the nominated vessel's position, and to give advance notice of her arrival at loading port.

The question was whether on *Shenevai* principles, nomination of the vessel, or causing the vessel once nominated to proceed to loading port, was to be regarded as the principal obligation.

For the reasons given by Mr Justice Evans it was the former.

The appeal was dismissed.

Their Lordships agreed.

For the shipowners: Nicholas Forwood QC and Peregrine Simon QC (Holman Fenwick & Willan)

For the charterers: V.V. Veeder QC and Joseph Smouha (Waltons & Morse)

■In *Deutsche Bank v Ibrahim* (FT, December 13), although the judgment initially indicated that the counterclaim was allowed, the question of delivery up of the leases has been listed for full argument on December 18.

Rachel Davies
Barrister

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GPG more than doubles to £11m

By Vanessa Houlder, Property Correspondent

GPG, the investment company run by Sir Ron Brierley, the New Zealand entrepreneur, more than doubled its pre-tax profits from £4.7m to £10.8m in the year to September 30.

This is the first set of annual results after the formation of the company from a rump of the Guinness Peat financial services group. GPG, which started as a shell company with £115m in cash a year ago, now holds 25 stocks.

Sir Ron said the year had been a good one. "The figures in this year's report are in sharp contrast to the trail of misfortune to which shareholders became accustomed in recent times," he said.

However, he complained that "one remaining unsatisfactory aspect" was the continued suspension of GPG's shares on the London Stock Exchange. The shares, which are listed in New Zealand, were suspended in London a year ago because the company was merely a cash shell.

"This [the suspension] is quite inappropriate and inconsistent with the company's economic revival and we are making efforts to resolve this matter as soon as possible," said Sir Ron.

The bulk of the profits came from interest income from bank deposits of £5.3m. The company also benefited from a non-recurring profit of £5.7m from the disposal Oregon-based Management Compensation Group. Provisions against debtors totalled £3.4m. Sales increased by 11.2 per cent to £1.89m (£1.7m).

Sir Ron said that six of the stocks offered "good prospects for active participation in the foreseeable future".

Since the balance sheet date, GPG has increased its holding in Tyndall Australia, a fund management and life insurance group, to a level where it is expected to become a subsidiary. The company has a current offer for ASC, a small Sydney-based investment company.

During the year, GPG repaid £33m to its shareholders, which more than halved the opening balance of shareholders' funds of £61m. After adjusting for the capital repayment, net tangible asset backing per share increased by 38.3 per cent to 12.21p (8.84p).

Earnings per share increased from 1.49p to 3.38p. No dividend was declared.

Dunn buy boosts Prospect to £3.53m

IN THE year to September 30 – one of "great transition" – *Prospect Industries*, the Hull-based engineering group, saw pre-tax profits vault from £475,000 to £3.53m.

Mr Philip Wilbraham, chairman, said that with the May acquisition for £14.25m of Dunn International, the engineering services company, "Prospect has changed from a modest component manufacturer into a major project manager for the power generating industry." Turnover leapt to £30m (£6.25m).

The results incorporate four months' trading from Dunn as well as a full year from Ipswich Electronics, now the group's second largest business. After "a concerted squeeze on working capital throughout the group", gearing stood at 36 per cent at the year-end, against the 200 per cent at the time of the Dunn acquisition.

Dunn made pre-tax profits of £3.26m on turnover of £20.8m in its four months, while the components businesses made £262,000 on turnover of £9.13m.

Earnings soared to 2.68p (0.59p) per share and the final dividend of 0.3p (0.1p) lifts the total to 0.4p.

Walker loses appeal against plans to oust him from board

MR GEORGE WALKER, the deposed head of Brent Walker, yesterday failed in a renewed court attempt to halt plans for his removal from the leisure group's board.

Mr Walker, who has already been removed as chairman and chief executive, had sought an injunction banning eight banks involved in re-financing plans for the group from moving resolutions to oust him as a non-executive director at an extraordinary general meeting on Thursday.

However the Court of Appeal ruled in effect that, having now accepted his removal as chief executive by Brent Walker, and issued a writ for damages against the company, Mr Walker had no right to apply for a court order to stop his removal from the board.

The banks have made it clear that restructuring finance will not be made available if he remains as a director.

Mr Walker is said to have *subscribed* £2.2m of his *own* resources to the re-financing plan. Jasaro SA, a Walker family trust said to have subscribed £27m through a loan from Standard Chartered Bank, joined him in his move for an injunction.

Lord Justice Stocker pointed out that Mr Walker and Jasaro would be far worse off if the injunction were granted "because the banks will withdraw their support and Brent Walker will inevitably collapse."

Last July, on the eve of a meeting at which the banks were to call for his removal, Mr Walker was refused a High Court order banning them from doing so.

In the event the banks were unable to get their resolutions carried at the meeting and Mr Walker has remained on the board.

His appeal against the High Court's refusal to grant an injunction was launched when the banks renewed their move to end his directorship.

The banks involved are Standard Chartered, Lloyds, Hill Samuel, Caisse Nationale de Credit Agricole, Bank of Yokohama, Svenska Handelsbanken, Arab Banking Corporation and TSB.

Mr Walker and Jasaro were refused leave to appeal to the *House of Lords against* yesterday's ruling, although they may seek an emergency sitting of the law lords before Thursday.

Manders expands paint side via £5.7m purchase

By Paul Cheeseright, Midlands Correspondent

MANDERS (Holdings), the Wolverhampton-based paints, inks, decorative products and property group, is taking over Windeck Paints of Bingley, West Yorkshire, for £5.66m.

"The move takes us into the own-brand business for retail *multiples*," said Mr *Roger* Akers, the Manders chief executive.

Payment for the acquisition is by the issue to Windeck of 3.14m new Manders shares. Kleinwort Benson has agreed to find buyers for the shares or *to* buy them itself at a price of 180p a share, a discount of 9p on the Manders market price just before the announcement.

In its last audited accounts Windeck made profits before tax and interest of £0.5m on a turnover of £8.3m during the *nine months to December 1990.* Its tangible assets are valued at £2.2m.

The company specialises in the manufacture of domestic paints, sold by retail multiples under their own labels.

Mosaic lifts interim despite static profits

MOSAIC Investments, the Birmingham-based industrial holding group, is increasing its interim dividend despite posting static pre-tax profits, writes Paul Cheeseright.

The group, which has sought to make diversity a virtue through the development of a *portfolio of subsidiaries active* in specialised markets ranging from car security devices through spirit measures to the character licensing of Teenage Mutant Hero Turtles, yesterday announced pre-tax profits for the six months to October of £3.24m. This compared with £3.35m in the same period of 1990.

Earnings per share for the 1991-92 first half slipped to 12.8p against 14.05p. The interim dividend has been set at 3.75p against 3.5p at this time last year and a full payment for 1990-91 of 9.25p.

During the first half, the group's turnover rose by 27 per cent to £25.77m (£20.33m). The rise was spread across the group's four divisions.

BTR Australian minorities valuation

By Mark Westfield in Sydney

THE Australian Securities Commission (ASC) has appointed an independent expert to value the minority shares in two Australian companies acquired by BTR as a result of its £1.55bn takeover of Hawker Siddeley.

Hawker owns 85 per cent of Westinghouse Brake & Signal Co (Aust) and 70 per cent of aircraft parts maker Hawker de Havilland, which have fallen under the control of BTR since it reached 70 per cent acceptance from shareholders of the UK parent late last month.

BTR has already appointed to the Westinghouse board two directors, Mr Alan Jackson, BTR's chief executive, and Mr Graeme Pearson, managing director of BTR Nylex, another BTR Australian subsidiary.

Westinghouse had earlier retained Lloyds Corporate Advisory Services to advise the board on the position of minorities.

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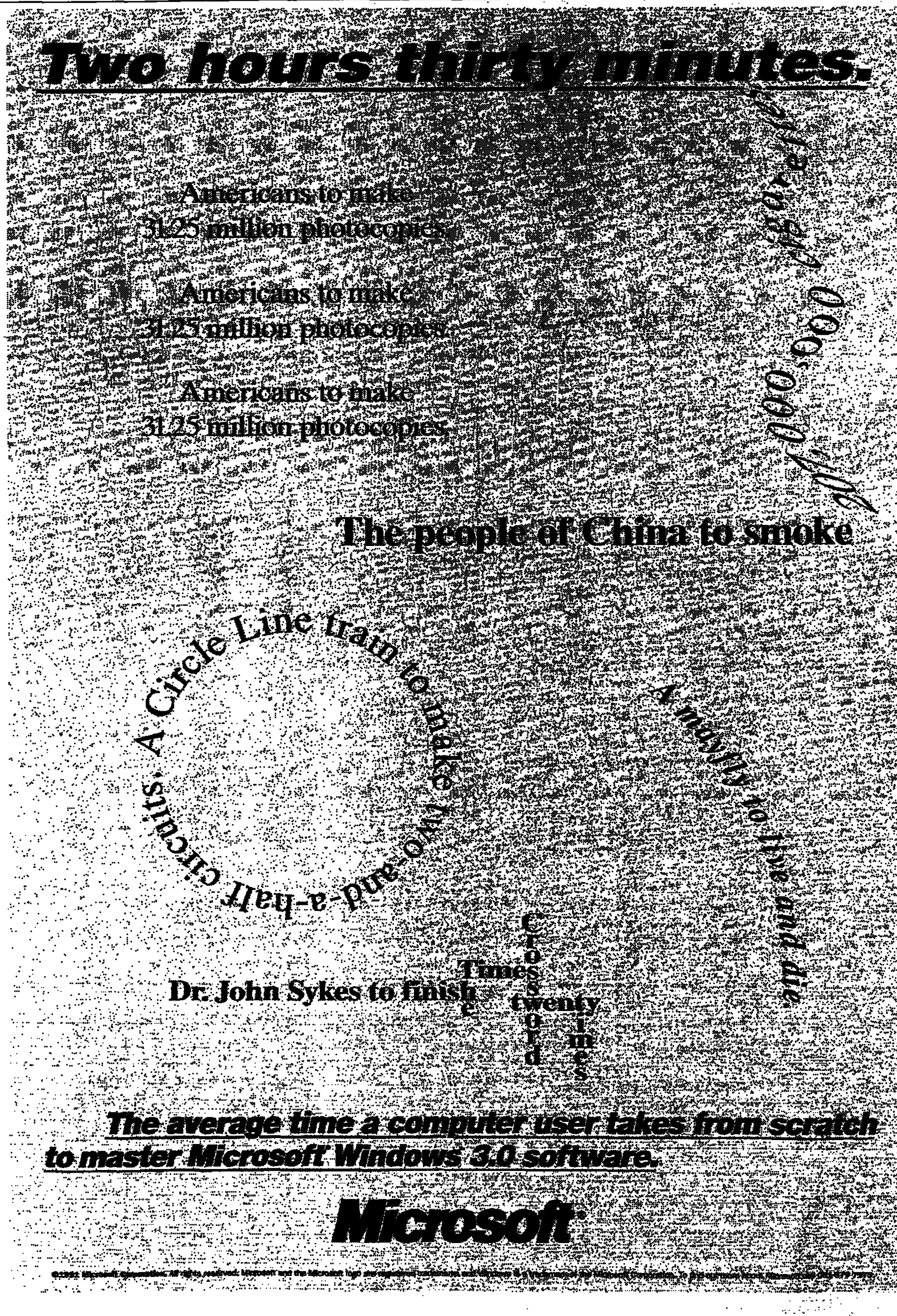

A case of look before you leap

Chris Tighe reports on the pitfalls of moving

Should a small company relocate? Is the upheaval too risky? Or could failing to move threaten a company's very survival?

Many businesses, struggling with recession and the pace of change in their markets, are having to re-evaluate how and where they operate. The fierce competition for inward investment between Britain's regions, all claiming to offer first class communication, smart new business parks and executive housing, can prove more confusing than helpful. But one company, Applied Holographics, grasped the relocation nettle, survived the trauma and believes it has transformed its prospects.

Founded in 1983, it has relocated itself operationally as well as geographically; its emphasis has shifted from research and development to market-led manufacturing. Even after its recent restructuring, it remains complex. It employs fewer than 150 people but has two factories and its headquarters in Washington, Tyne and Wear and hologram origination studios at Braxted Park, Essex and Oxnard, California. But relocating has taught the company valuable lessons.

PLAN AHEAD - IF YOU CAN

Applied Holographics was set up by four south-east based entrepreneurs with £840,000 venture capital backing, to research, develop and build a system for mass reproduction of holograms. The need for a vibration-free environment for holographic origination ruled out conventional industrial estates. Instead it found premises in the stable block of Braxted Park, a country estate in Essex.

In 1984, the business was floated on the Unlisted Securities Market and the following year, it raised £2.4m in a rights issue. By now, its focus had shifted to the commercial application of holograms and, keen to move into hot stamping foil technology, it formed Transfer All Purpose Foils, a joint venture with an American company. Looking for a manufacturing location with good communication, grant aid and an available workforce with engineering skills, TAPF chose Washington New Town.

In 1987, Applied Holographics raised a further £8.7m gross from a rights issue to buy out its partner in TAPF and move into the fast expanding market for embossed holograms on credit cards and other security devices.

The limitations of its stable block base now became evident; there was no prospect that it could meet the security clearance requirements vital to obtain bank contracts. So, impressed with its experience of Washington New Town, Applied Holographics – the company which put Shakespeare holograms on cheque guarantee cards – chose the town in 1988 for its security bureau, a factory producing holograms for anti-counterfeiting uses.

FACE UP TO PROBLEMS

Applied Holographics now had two manufacturing plants on Wearside and its headquarters, administration, accounts and sales departments in Essex. This structure did not work.

"People were constantly on the move backwards and forwards," says technical director Hamish Shearer, the only founder still with the business.

"For a company where the technology was in all aspects new and development had to be exceptionally fast, it just wasn't a tenable situation."

Neil Smart, then finance director, recalls: "We were almost building a middle tier of management which did nothing but communicate between management and the production plants". In late 1989, the board voted to relocate headquarters functions to Washington.

The company also decided its future lay in embossed holography and withdrew from film-based reflection holography, at a cost of £1.14m. This increased its total loss for the 1990-91 financial year to £3.76m. In order to concentrate on holographic products for security and packaging uses, it also sold its Hampshire-based retail supply division.

KEY PEOPLE MAY QUIT

The relocation vote was unanimous. But only one member of the board, Shearer, has since agreed to move. The then-chairman resigned, the sales director has stayed in the south and the managing director, finance director and marketing manager all left the company.

The decision to relocate brought out underlying differences of perception, says David Tidmarsh, appointed chief executive in the wake of the upheaval in May 1990.

For Smart, then finance director, it forced a reappraisal. He quit because, at 36, he was worried about restricting his next career move if he left the south-east. He is now an independent business consultant.

DON'T MOVE EVERYTHING

In 1988, Applied Holographics set up a joint venture in the US but its partner, National Business Systems, ran into legal problems. Having bought out the NBS stake, it acquired Advanced Dimensional Displays and set up a new origination centre in California.

This operation was, until recently, affected by patent problems but Tidmarsh is convinced it has been worth sticking with it because of its technological excellence and the US market's potential. Applied Holographics' origination experts and facilities in California and Essex would be difficult to move; the company is happy to leave them where they are.

DON'T FALL OUT

Managers, even if unwilling to relocate, can be invaluable in helping effect the transfer.

MOVES ARE ABOUT PEOPLE

Moving is stressful. Be generous to key personnel; paying for house-hunting trips can transform attitudes to relocation. Remember it affects entire families; even Shearer, who says 'my personal location is totally secondary', admits the decision to move has been a big one. The issue is wider than homes and schools; Shearer's wife, for example, has her own business interests in the south.

A MOVE TAKES TIME

Relocation happened in 1990 but only since has it become evident that Shearer needs be based in Washington, not Essex. He is now moving.

Tidmarsh, formerly with the Bemrose Corporation, was attracted to Applied Holographics by the challenge of realising its potential: his priority has been to focus it on those products and markets which can shift it into profit by 1993 at the latest.

The City, he says, has given the company exceptional support over many loss-making years: a £2.2m rights issue in August, to reduce bank overdrafts and provide further working capital, was fully taken up with 67 per cent of existing shareholders exercising their rights.

In October, Applied Holographics, now negotiating major orders and confident of the future, held its annual meeting at a Newcastle hotel – just minutes by car from its factories and headquarters.

"We were too diverse before, we didn't have the management resources to handle so many products in so many different locations," says Tidmarsh.

"It's helped enormously to move the company here. We're very much on the right track now."

Hamish Shearer (right) and David Tidmarsh: learning lessons

Venturing to cut out the middlemen

By Ian Hamilton Fazey

Investors in Industry (3i) believes it has found the means to plug a longstanding gap in the venture capital market.

"Core Capital" is designed to compete with the clearing banks in lending to small, growing businesses needing up to £200,000. The scheme was launched as an experiment in north west England in July, but is to be expanded to Leicester, Cambridge and Watford.

Its chief feature is reduced bureaucracy to speed deals and minimise fees charged by the capital provider, accountants, lawyers and expert consultants. These typically amount to £25,000 per deal, making it uneconomic for companies trying to raise equity investment of less than about £500,000.

Instead, most small businesses borrow from banks, saddling themselves with interest charges as a continuous price for trying to expand, usually while making the business even more under-capitalised than it was before the loan.

So far, 3i has been able to keep fees below £1,500 and has completed deals in between two and four weeks.

Two simple forms have been devised, one showing a business profile and the other a financial analysis. Each takes about two hours to fill in. The applicant company is not expected to go to the expense of a detailed business plan – a process for which some accountants charge about £5,000.

"It's an off-the-shelf package using standardised forms to make comparison easy," says Phillip Goodwin, director of 3i's Manchester office.

Richard Young, a colleague in day-to-day charge of the scheme, visits applicants to check the details. If he supports the application, the company is invited to make a presentation to a meeting at 3i in Manchester, where an on-the-spot decision is promised.

Two out of three applicants are being turned away at present, mainly because family-owned businesses which are merely looking to swap bank debt for equity – and thus help keep up a comfortable living for their owners – are being excluded.

"We are looking for young managers with a vision of where they want to take their businesses. This means a determination to achieve long-term growth. We are quite prepared to wait 15 years if necessary to achieve a good return," Goodwin says.

The smallest deal so far involved Bowdon Associates, a small Preston company specialising in training production managers and operators how to get the best out of computerised process control systems.

Founded in 1988, it doubled its turnover in its first two years and then grew by 300 per cent the next year. It was by then struggling to cope with £500,000 of sales with an overdraft of only £25,000.

Yorkshire Bank, its banker, said it would double overdraft limits only if the four founders would improve the business's capital base to £50,000 from the £100 it had taken to set up the company – but they were young and had not got the means.

Talks with a local venture capital provider produced an offer consisting of a mixture of long-term loan, fixed rate preference shares and an injection of just £34, in exchange for 25 per cent of the company. The cost would have been about £9,000 a year for five years in interest charges. Then the company's accountants heard about 3i's experimental scheme.

3i has now put in £50,000 of equity funding for 10 per cent of the company. It will receive a dividend of 10 per cent of future profits – and nothing if the business makes none. Total professional fees were £950 for legal vetting.

Yorkshire Bank has now upped the overdraft limit and the company is starting to grow.

Bowdon's managing director is Nigel Ryan, aged 33, a mechanical engineer who was formerly a management consultant with Coopers & Lybrand. "It was the speed of it all that amazed me, after drawn-out negotiations with the other potential backer," he says.

The deal took four weeks to complete, the only hiccup being that Ryan got married in the middle of it and went on a week's honeymoon, delaying completion by about 10 days.

Before the new scheme started, Goodwin says that 3i would probably have offered £20,000 of equity and £30,000 of loans.

With two financial instruments, paperwork and legal costs would have multiplied and the business would have had an additional interest rate burden.

The fastest deal so far has been £75,000 for a 15 per cent shareholding in Holme Farmed Venison, which markets deer meat to specialised caterers from a farm in Cumbria. This took two weeks and total fees were about £1,500.

The biggest to date has been £200,000 for 15 per cent of BCH Equipment, a Rochdale engineering business which needed to buy additional plant to expand.

The deal would have been completed in a week, but it took another fortnight to complete negotiations on the price of the new equipment. Fees totalled £1,200.

Goodwin says that deals are now going through at the rate of one a fortnight, but he expects this to pick up to one a week shortly as the local network of accountants and small business advisers passes on more applicants.

Body Shop

IN AN article on the Management Page on 15 November, Anita Roddick, managing director of Body Shop should have been quoted as saying: "The Body Shop's support for the voluntary sector is not designed to attract more trade to the shops". In the published version, the word "not" was erroneously removed.

BUSINESS FOR SALE

Touche Ross

Algek Flooring Limited

(In Administrative Receivership)

R. T. Summerfield and R. A. Powdrill, the Joint Administrative Receivers, offer for sale the business and assets of this established flooring contractor with separate resin and carpet/soft flooring divisions, based near Newmarket.

- £1m plus turnover.
- Good customer base.
- Leasehold premises adjacent A45.
- 6 Employees plus labour-only sub-contractors.

For further information, please contact Nigel De'Ath at the address below.

Leda House, Station Road, Cambridge CB1 2RN.
Tel: 0223 460222. Fax: 0223 350839.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

STEEL MANUFACTURER & DISTRIBUTOR

Richd W Carr & Co Ltd

The Joint Administrative Receivers offer for sale the business and assets of this well-known manufacturer and distributor of high quality special steels, particularly tool steels. The company is based in Sheffield and has a distribution centre in the West Midlands.

Principal features of the business include:

- annual turnover approximately £8 million
- BS5750/ISO9000 approved
- new 5 tonne induction melting facility with advanced degassing and spectroscopic analysis facilities
- modern facilities for rolling, heat treatment, inspection and finishing
- modern management information systems
- freehold premises in Sheffield and Smethwick.

For further information, please contact the Joint Administrative Receivers, D.J. Stokes and M. J. Moore, Cork Gully, 1 East Parade, Sheffield S1 2ET. Telephone 0742 730401. Fax 0742 598202.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

Graph Decor Ltd.
Graph Contracts Ltd.

(Both in Administrative Receivership)

- The Joint Administrative Receivers offer for sale the business and assets of the above companies which provide high quality, specialist joinery services to the leisure industry
- Turnover (estimated) for the 12 months to 31 March 1991 £14M.
- Operate from modern freehold premises in Barnsley (West Yorkshire)
- Fully equipped workshop premises

For further details please contact the Joint Administrative Receivers, S. J. L. Adamson and W. M. Roberts, Ernst & Young, Becket House, 1 Lambeth Palace Road, London SE1 7EU
Tel: 071-928 2000. Ext: 3755. Fax: 071-928 1425

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Touche Ross

Honeyrose Products Limited

(In Administrative Receivership)

The Joint Administrative Receivers, A. R. Houghton and S. J. Akers offer for sale the business and assets of the above company.

- Manufacturers of own, and other brand, herbal cigarettes.
- Worldwide network of agents.
- Turnover £500,000 and pretax profit in the region of £100,000.
- Mail order sales of other herbal and health products.

For further information please contact David Chaplin at the address below.

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 936 3000. Fax: 071 480 6881.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Touche Ross

Magazine Publisher

(In Administrative Receivership)

The Joint Administrative Receivers, N. J. Dargan and L. K. Denney, offer the business and assets of the above company for sale. Features include:

- Publishing house with full production facilities.
- Titles include health and nutrition, computers and radio magazines.
- Rights to software – in excess of 100 games.
- Turnover £0.5 million.
- 6 skilled employees.
- Freehold premises 2,000 sq. ft. in Milton Keynes area.

For further details contact Nick Dargan or David Jones at the address below.

St John's House, East Street, Leicester LE1 6NG.
Tel: 0533 543598. Fax: 0533 552055.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

W WOOLAWAY & SONS LIMITED

(in Administrative Receivership)

A plant hire business with turnover in the year to 30 September 1991 of £1.6 million.

For sale by the Joint Administrative Receivers the business and assets including:

- Freehold site of 3.5 acres in the centre of Barnstaple, North Devon.
- Operated JCBs Caterpillars, etc.
- Non operated plant (self drive).
- Tool hire centre.
- Haulage and aggregate supplies.

Please contact:
The Joint Administrative Receivers
John Hill or Rupert Mullins
BDO Binder Hamlyn
20 Old Bailey LONDON EC4M 7BH
Telephone: 071 489 6192
Fax: 071 489 6295

BDO BINDER HAMLYN

Chartered Accountants

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Fauld Town & Country Furniture Ltd.

The Joint Administrative Receivers offer for sale on a going concern basis the business and assets of this well established furniture manufacturer based in Coventry.

- Large UK manufacturer of English Windsor chairs.
- Highly skilled workforce producing hand finished traditional English furniture including chairs, tables, dressers and occasional pieces.
- Substantial customer base and current order book.
- Turnover approximately £1m p.a.
- Leasehold factory, warehouse and office accommodation on Coventry Trading Estate with good motorway links.
- Permanent UK and European showroom facilities and UK, European and USA independent sales agency network.
- UK distribution through prestigious department store groups and independent furniture stores.

For further details please contact The Joint Administrative Receiver, Tony Mitchell FCCA or Keith Martin ACA at Stoy Hayward, Waterloo House, 20 Waterloo Street, Birmingham B2 5TF. Tel: 021-643 4024 Fax: 021-631 2400.

STOY HAYWARD

Accountants and Business Advisers — A member of Horwath International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

South Wales Nursing Home Group

- Annualised income £1.45 million
- Freehold/leasehold buildings
- Fully equipped operational nursing homes
- Registered sleeping accommodation 128
- Average occupancy rate in excess of 90%

For further information, please contact: Nigel Ferrand, Coopers & Lybrand Deloitte, Churchill House, Churchill Way, Cardiff CF1 4XQ Telephone: 0222 237000 Fax: 0222 223361

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte is authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

A & M FURNITURE HIRE LIMITED

(in Administrative Receivership)

The Company hires furniture and props to the film, television and theatre industry.

For sale by the Joint Administrative Receivers the business and assets of this well established concern.

- £1.1 million turnover for the year to March 1991 and £800,000 for the eight months to November 1991.
- Leasehold premises comprising 90,000 sq ft of warehousing and offices located at Acton London.
- Substantial quantities of period and reproduction furniture and set dressings.
- Over 300 live customer accounts.

For further details please contact:
PWG DuBuisson
The Joint Administrative Receiver
BDO Binder Hamlyn
20 Old Bailey LONDON EC4M 7BH
Telephone: 071 489 9000
Fax: 071 489 6295

BDO BINDER HAMLYN

Chartered Accountants

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

STEEL, In Holland, shotblasting and rust-proofing contractor for sale. Top class clients and mangt. High profits, good prospects. For company profile fax 01031 75 217880.

Insurance Company

As a result of the receivership of a UK holding company, its wholly owned insurance subsidiary is available for sale. The company is in a niche market, underwriting extended warranties, prize promotions and high risk sporting activities. Annual premium income is approximately £5 million net.

Enquiries to: AJ Barrett, Price Waterhouse, No 1 London Bridge, London SE1 9QL.
Tel: 071-939 3000.

This advertisement has been issued for the purposes of Section 57 of the Financial Services Act 1986 by Price Waterhouse. Price Waterhouse is authorised by the Institute of Chartered Accountants of England & Wales to carry on investment business.

Price Waterhouse

Fish Farm – Greece

A unique opportunity to acquire 50% shareholding in a Greek fish farming company exists. The company has an excellent future growth and profit potential. Principals only.

Please write to
Box H9395,
Financial Times,
One Southwark Bridge,
London SE1 9HL

Quality Furniture Retailer

The Joint Administrative Receivers offer for sale the business and assets of Holmes of Reading Limited

- *Retailers of quality living, dining and bedroom furniture, upholstery, rugs and gifts*
- *Stockists of Grange and Hulsta brands*
- *Turnover £1.4m last year*
- *Established customer base*
- *14,000 sq ft freehold premises in central Reading*

For further details, please contact the Joint Administrative Receiver, Jason Elles, Ernst & Young, Apex Plaza, Reading, Berkshire RG1 1YE.
Telephone: 0734 500611. Fax: 0734 507744.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Spencers

The Joint Administrative Receivers of W A Spencer & Co. Limited offer for sale the business and assets of this East Midlands residential estate agency chain with origins dating back to 1846. The principal features include:

- *12 leasehold operating branches, fixtures, fittings etc*
- *Turnover £2.1 million year ended 28 February 1991*
- *2000 approx properties for sale 1500 approx managed lettings*
- *140 employees*

Interested parties please apply for brief particulars of sale to the Joint Administrative Receivers, T Frid and GCS Baker, Ernst & Young, Provincial House, 37 New Walk, Leicester LE1 6TU
Telephone: 0533 549818. Fax: 0533 551357.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Lithographic Printer and Designer

The Joint Administrative Receivers offer for sale the business and assets of Sydney Lee (Exeter) Limited. Key features include:

- *Turnover c. £1m.*
- *Freehold buildings (14,600 sq ft) and land near centre of Exeter.*
- *Plant and Machinery includes single and four colour rotary offset lithographic printing machines, guillotine paper cutting machine, bindery system and vertical darkroom process camera.*

For details contact D. H. A. Peacock and C. M. Clapp, Ernst & Young, Broadwalk House, Southernhay West, Exeter, Devon EX1 1LF.
Telephone: 0392 433541. Fax: 0392 75175.

ERNST & YOUNG

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

PACKING MACHINES

Significant manufacturer of special packaging machines, especially for food industry with well established marketable programme intends to sell to a group which is interested in completing its programme.

Write to Box H9394, Financial Times, One Southwark Bridge, London SE1 9HL.

Europa Tennis Centre

The joint administrative receivers of Europa Tennis Limited offer for sale the above business on the outskirts of Southampton.

- 500 annual memberships.
- Six indoor tennis courts.
- Nine outdoor tennis courts.
- Bar, restaurant and shop.
- Leased 15 acre site at nominal rent.

For further information contact:
PS Padmore FCA, Price Waterhouse, The Quay, 30 Channel Way, Ocean Village, Southampton SO1 1XF. Tel: 0703 330077. Fax: 0703 236252.

Price Waterhouse

British Leyland Parts Specialist

For sale as a going concern the business and assets of COVERHILLS LIMITED (In Receivership)

- 12,000 sq. ft. leasehold premises in the centre of Preston, Lancashire.
- Approximately 30,000 stock lines for Rover, Land Rover, Freight Rover.
- Trading in the North West of England as UNILINK
- Substantial customer base.
- Turnover in excess of £1,000,000 on an annualised basis.

For further details contact the
Joint Administrative Receivers
Gerald Smith or Michael Hore

ROBSON RHODES

Bernard House, Piccadilly Plaza, Manchester M1 4DJ.
Telephone: 061-236 4702. Fax: 061-236 1152.
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Latham Crossley & Davis

The Joint Administrative Receivers DAVID WOOD FCA and PETER S. DUNN FCA

Offer For Sale the Business, Assets and Goodwill of a

3 STAR SHROPSHIRE HOTEL

on 1.25 Acre Estate

A period Manor House (circa 1800s) with 14 rooms with planning permission for extending to 30.
3 Function rooms, including a quality English cuisine restaurant.

Enquiries to · DAVID WOOD — Latham Crossley & Davis
Arkwright House, Parsonage Gardens, Manchester M2 7LF

SMALL PACKAGING MERCHANT BUSINESS

Disposal of a non-core business gives an opportunity to acquire the stock and goodwill of this Home Counties based operation. T.O. approx £100K p.a. with good margins. Could be run comfortably by one person.

Principals only write to
Box H9333, Financial Times,
One Southwark Bridge,
London SE1 9HL

STATIONERY COMPANY

COMMERCIAL STATIONERY COMPANY with retail and printing interests, based in London, current turnover in excess of £½ million, seeks an investor or merger to secure future expansion.

Please reply with details to:
Box No. H9379, Financial Times, One Southwark Bridge,
London SE1 9HL.

INSURANCE BROKERS SOUTH EAST ENGLAND

IBRC/FIMBRA Registered Broker for sale. Brokerage £½M plus. Long established account with 60% plus commercial. Cash purchaser required.

Enquiries to Box H9382 Financial Times, One Southwark Bridge, London SE1 9HL.

YACHTS AND POWERCRAFT

Replacement owner urgently sought for this superb purpose-built sail yacht, now available for £395,000 instead of £625,000. Nearing completion in UK, vessel will enter our Caribbean charter fleet with income stream of £50,000 pa, plus substantial owner benefits and opportunity for capital appreciation.

Call George on 0473 37 407 or
Fax 0473 37 445.

Plastic Recycling Business

Established 10 years. Ecological and growth orientated. T/O circa £1 million. Established customer base, profitable. Seeks corporate acquirer with capital injection to take advantage of the rapid growth envisaged in 1992. Valuable trade marks. *Principals only should reply to Box No: H9385 Financial Times, One Southwark Bridge, London SE1 9HL*

BUSINESSES FOR SALE

AGB RESEARCH INTERNATIONAL PLC
(IN ADMINISTRATION)

The Joint Administrators offer for sale the following businesses:

AGB RESEARCH
* provides continuous/panel research, ad hoc research and media measurement.
* turnover £80 million per annum.
* third largest market research group in Europe.

PER/SQUIRES
* professional and executive recruitment services.
* temping and permanent placing agency – places 350 temps each week.
* turnover £3.6 million per annum.

VISTA COMPUTER SERVICES
* supplies bespoke computer systems and related services to the publishing industry.
* turnover £3.2 million per annum.

For further information please telephone: 071 438 3773

Arthur Andersen & Co. is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ARTHUR ANDERSEN

A B COASTAL DEVELOPMENTS (LEISURE) LIMITED
(In Administrative Receivership)
THE BYGONE HERITAGE VILLAGE

The Joint Administrative Receivers offer for sale "The Bygone Heritage Village", Burgh Hall, Fleggburgh, Great Yarmouth, Norfolk.
This working Village is set in a freehold estate of approximately 51 acres and comprises craft workshops, public house, church, school, farmhouse and railway station.

ATTRACTIONS IN THE VILLAGE INCLUDE:-
- A Narrow Gauge Railway complete with working engines and rolling stock
- Fully restored vintage vehicles and steam traction engines
- A 1890 Gavioli 89 Key Fairground Organ
- Savage Gallopers Steam Fairground Roundabout
- Class S1 2-6-4T loco No. 1928
- Trout Lake
- Pets and farm animal paddock
- Many other items of train and steam memorabilia

Exhibits are stored in modern exhibition buildings.

The site also includes:-
- 3 acre residential development *with 5 properties with vacant possession and plots for a further 7 houses*
- Garden Centre
- 3 acre campsite
- Extensive car parking facilities
- Administrative offices

For further details please contact the Joint Administrative Receivers:-
Nigel Millar or Robert Matusiewicz
BDO Binder Hamlyn
7 The Close
NORWICH
NR1 4DP
Tel: 0603 610181
Fax: 0603 633618

BDO BINDER HAMLYN

Chartered Accountants

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Touche Ross

Matchmaker Limited
(In Administrative Receivership)

The Joint Administrative Receivers, P. L. Thurston and A. M. D. Bird, offer for sale the goodwill, assets and undertaking of the above company.
- ☐ Leading manufacturer and constructor of synthetic sports surfaces for both indoor and outdoor uses.
- ☐ Turnover £2.0 million.
- ☐ Purpose built production facility.
- ☐ 12,000 sq. ft. freehold premises based in Evesham.
- ☐ Product approved by Sports Governing bodies and local authorities.
- ☐ Established name and product range.
- ☐ Valuable order book.

For further details, please contact Simon Thomas or the Joint Administrative Receivers at the address below.

Queen Anne House, 69/71 Queen Square, Bristol BS1 4JP.
Tel: 0272 211622. Fax: 0272 292801.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

MILLET SPORTS LIMITED
(In Administrative Receivership and in Liquidation)

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the above company
- 3 Sports and leisure Retail outlets
- Turnover of £1.1 million p.a.
- Leasehold premises at Mill Hill, Finchley and Golders Green

For further information contact either David Rolph, or John Coleman at Moore Stephens, St. Paul's House, Warwick Lane, London EC4P 4BN
Tel: 071-248 4499 Fax: 071-248 3408

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BUSINESS AND ASSETS

Of solvent and insolvent companies for sale.
Business and Assets

.Tel 071 262 1164(Mon - Fri)

COMPUTER REPAIR COMPANY
- *Workshop Repair of Computers*
- Skilled, stable workforce of 17
- Latest in Automatic Test Equipment
- Turnover approaching £1M
- *Midlands based, 10,000 ft premises*
- Other Hardware related services
- Owners interested in Merger/ Sale

Contact: Stuart Gray
of Kidsons Impey
on 021-631 2631

COMPANY NOTICES

Following the DIVIDEND DECLARATION by Ford Motor Company (U.S.) on 16 October 1991 NOTICE is now given that the following *DISTRIBUTION* will become payable on or after 17 December 1991

Gross Distribution per unit	2·0000	Cents
Less 15% USA Withholding Tax	0·3000	Cents
	1·7000	Cents
Converted at $ 1·7850	£0·00952381	

Claims should be lodged with the DEPOSITARY; National Westminster Bank PLC, 5th Floor, 21 Lombard Street, London, EC3P 3AR on special forms obtainable from that office.

United Kingdom Banks and Members of the Stock Exchange should mark payment of the dividend in the appropriate square on the reverse of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

Date 17 December 1991

BUSINESS SECTION
Advertisement Rates

From January 1st the advertisement rates for classified business advertising will be

Business Opportunities £65.00 p.s.c.
Business For Sale
Business Wanted
and all other headings £58.00
Box Numbers £14.00

if you require any further information *please contact* Melanie Miles on 071-873 3308

FRANCHISING

MASTER LICENSE

Mail Boxes Etc.®(MBE) is the fastest growing retail postal, business and communications franchise network in the world with over 1,400 centers worldwide and adding one new center every business day. We are now offering the exclusive opportunity to own the master license for development of MBE centers in the United Kingdom and Europe to a qualified interest.

This is an exceptional opportunity to join the most successful company in the communications service industry. U.S. $500,000 cash investment required.

For further information contact:
Mail Boxes Etc.
Rob Shaw • International Manager
5555 Oberlin Drive • San Diego • CA • 92121
Phone: (619) 455-8800
Fax: (619) 452-9937

MBE MAIL BOXES ETC.
UPS Authorized Shipping Outlets

Offering by prospectus only *©1991 Mail Boxes Etc.*

PUBLIC NOTICES

MMC INVITES EVIDENCE ON MANCHESTER AIRPORT INQUIRY

MONOPOLIES AND MERGERS COMMISSION

The Monopolies and Mergers Commission would like to hear from any person with information or views on the maximum level of airport charges that Manchester Airport plc should be able to levy at Manchester Airport during the five years commencing on 1 April 1993.

The Commission would also welcome information or views on whether Manchester Airport plc has at any time *during the period from 29 May 1987 pursued* a course of conduct which has operated or might be expected to operate against the public interest. Such a course of conduct may be in relation to airport charges, operational activities or the granting of rights which allows operational activities to be carried out by any person or persons other than the airport company.

The Commission would like to receive evidence in writing *by 17 January 1992 to be sent to: The Reference* Secretary (Manchester Airport), Monopolies and Mergers Commission, New Court, 48 Carey Street, London, WC2A 2JT.

Chichester District Council
Tender for Banking Services

Tenders are invited for the provision of a full range of banking services. The contract will be for a period of 5 years commencing 31 MAR 1992. Potential tenderers should contact the Director of Finance at the address shown below for the tender document. Tenders submitted to arrive by 12pm on 23rd Jan 1992.
Director of Finance
Chichester District Council
East Pallant House
Chichester District Council
East Pallant House
Chichester W.Sussex PO19 1TY Tel: 0243 785166 ex.3235.

The Bell Hotel - Tewkesbury

The Joint Administrative Receivers of Browns (Hotel Management and Consultancy) Limited offer for sale as a going concern the business and assets of The Bell Hotel in Tewkesbury, Gloucestershire. The business and assets comprise:-
- Historic 3 star town centre location
- 27 bedroom freehold hotel
- 55 space car park
- Conference facilities
- Freehold staff cottage
- *Substantial development potential on site*
- Turnover approximately £550,000 pa

For further details please contact the Joint Administrative Receivers, J M Iredale and R W Birchall, at Cork Gully, 9 Greyfriars Road, Reading, Berkshire, RG1 1JG, Tel: (0734) 500336, Fax: (0734) 607703, Telex: 848588.

Cork Gully is authorised in the name of Coopers & Lybrand Deloitte by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

Cork Gully

MIRRORSOFT LTD
(IN ADMINISTRATION)

The Joint Administrators offer for sale the business and assets of the above company as a going concern.
* Publisher of computer entertainment software (primarily; 16-bit, 8-bit and PC compatible formats)
* Significant market share (market leader 1990)
* Licence agreements with major entertainment entities for high profile titles
* Anticipated turnover for 1991 of £10m (management accounts)

For further information please contact Nick Owen or Simon Hood at:
Arthur Andersen & Co.
P.O. Box 55, 1 Surrey Street
London WC2R 2NT
Tel: 071-438 3000
Fax No. 071-438 3771

Arthur Andersen & Co is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

ARTHUR ANDERSEN

Smith & Williamson

Corporate Recovery • Litigation Support • Corporate Finance • Taxation • Banking Investigations • Investment Management • Pensions & Life Assurance • Accounting • Auditing

The Joint Administrative Receivers offer for sale *the business and assets of*

KING HOISTS LTD.

The business is involved with the manufacture of chain hoists and overhead conveying systems.
- ★ Turnover £2m.
- ★ Leasehold offices/works of 23,000 sq ft.
- ★ Established name and product range for over 50 yrs.
- ★ Skilled workforce.
- ★ Long-standing UK and overseas customer base.

For further information contact Kieran Day on 0438 745151 or Peter Yeldon on 071-637 5377 at the offices of Smith & Williamson, No. 1 Riding House Street, London W1A 3AS. Fax: 071-323 5683.

Smith & Williamson, Chartered Accountants
Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business

Smith & Williamson Securities
Authorised institution under Banking Act 1987.
Member of IMRO. Member of the British Merchant Banking and Securities Houses Association

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HAMBURGER HALT LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

The Joint Administrative Receivers, D J Buchler and L A Manning offer for sale the business and assets of the above company.
- *Two American style fast food outlets in North London with unique Twin Lane Drive-Thru concept.*
- Turnover approx. £600,000 p.a.
- *Two undeveloped freehold sites with outline planning permission for fast food use in very high density areas.*
- *Fully trained workforce.*

For further information please contact
Roth Kom & Co., 10 Gees Court,
London W1M 9HQ.
Telephone 071-499 5051.
Facsimile 071-499 5055.

BUCHLER PHILLIPS & CO

COMPANY NOTICES

GENERAL MOTORS CORPORATION

Further to the DIVIDEND DECLARATION OF 26th November 1991 NOTICE is now given that the following distribution will become payable on after 16th December 1991 against presentation to the Depositary (as below) of Claim Forms listing Bearer Depositary Receipts.

GROSS DISTRIBUTION	2.00 CENTS
LESS 15% US WITHHOLDING TAX	0.3000 CENTS
	1.7000 CENTS PER UNIT
CONVERTED 1.8025	0.9431 PENCE PER UNIT

Barclays Bank PLC
Stock Exchange Services Department
168 Fenchurch Street, London EC3P 3HP

LEGAL NOTICES

APEX STRUCTURAL LIMITED
Registered number: 2082718

Nature of business: Steelwork Fabrication & Erection
Trade classification: 23
Date of appointment of administrative receivers: 2 December 1991
Name of person appointing administrative receivers: National Westminster Bank Plc
N. J. Vooght & C. J. Hughes
(office holder nos 6339 & 2041)
of Melrose House
42 Dingwall Road
Croydon
Surrey CR0 2NE

PROJECT JOINERY LIMITED
Registered number: 2471816

Nature of business: Joinery
Trade classification: 23
Date of appointment of administrative receivers: 2 December 1991
Name of person appointing the administrative receivers: National Westminster Bank Plc
N. J. Vooght & C. J. Hughes
Joint Administrative Receivers
(office holder nos 6339 & 2041)
of Melrose House
42 Dingwall Road
Croydon
Surrey CR0 2NE

MERLIN PLANT HIRE LIMITED
Registered number: 1101943

Nature of business: PLant Hire
Trade classification: 23
Date of appointment of administrative receivers: 2 December 1991.
Name of person appointing the administrative receivers: National Westminster Bank Plc
N. J. Vooght & C. J. Hughes
Joint Administrative Receivers
(office holder nos 6339 & 2041)
of Melrose House,
42 Dingwall Road,
Croydon
Surrey CR0 2NE.

G L JAMES LIMITED
Registered number: 719240

Nature of business: Building Contractors
Trade classification: 23
Date of appointment of administrative receivers: 2 December 1991
Name of person appointing the administrative receivers: National Westminster Bank Plc
N. J. Vooght & C. J. Hughes
of Melrose House
42 Dingwall Road
Croydon
Surrey CR0 2NE

COMPANIES ACT 1985 INSOLVENCY ACT 1986
EARLYFRESH LIMITED
(IN MEMBERS' VOLUNTARY LIQUIDATION)

NOTICE IS HEREBY GIVEN that the Creditors of the above named Company are required on or before the 16th January, 1992 to send their names and addresses with particulars of their Debts or Claims, and the names and addresses of their Solicitors (if any), to Clive William Thomas Hewitt of 89 Cornwall Street, Birmingham, B3 3BY, the Liquidator of the said Company, and, if so required by notice in writing by the said Liquidator, are by their Solicitors or personally to come in and prove their said Debts or Claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

NOTE: This notice is purely formal and all known Creditors have been, or will be, paid in full.

Dated 10th December 1991 C. W. T. Hewitt, Liquidator

MEETING OF CREDITORS
TONESDALE LIMITED

NOTICE IS HEREBY GIVEN pursuant to Section 98 of The Insolvency Act 1986, that a meeting of creditors of the above-named Company will be held at The Rugby Club of London, 49 Hallam Street, London W1N 5LJ, on the 19th day of December, 1991 at 11.30 a.m. for the purpose mentioned in Sections 99, 100 and 101 of the said Act.

A list of names and addresses of the above company's creditors will be available for inspection, free of charge, at 19A Cavendish Square, London W1M 9AB, on the two business days falling next before the days on which the meeting of creditors will be held.

Dated this 29th day of November 1991
Mr. G. Fullen, Director

IN THE MATTER OF
HALLIDOWN LIMITED T/A [illegible]
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 5th December 1991.

Dated this 5th December 1991
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB

IN THE MATTER OF
BLADESET LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S. Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 45 Conduit Street, London W1R 9FB, was appointed Liquidator of the above Company by the Creditors on 10th December 1991.

Dated this 10th December 1991
Peter S. Dunn FCA, Liquidator
Latham Crossley & Davis
45 Conduit Street, London W1R 9FB

BUSINESS FOR SALE

Tuesdays, Saturdays and NOW Fridays

For further information and to advertise in this section please contact

Melanie Miles on
071 873 3308

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES SURVEY

TURKISH FINANCE INVESTMENT & INDUSTRY

Tuesday December 17 1991

Promises of a better life

For many of Turkey's people, the return of Süleyman Demirel 11 years after he was ousted in a coup is seen as the start of a new era. He is promising reforms more radical than anything since the republic was founded by Mustafa Kemal Atatürk. **John Murray Brown** reports

IT SAYS something about the state of Turkish politics that a man who has already been prime minister six times should be greeted with such popular fervour on the seventh occasion.

Mr Süleyman Demirel could yet surprise his critics. The veteran 68-year-old conservative, who became Turkey's new leader following the October general election, is promising reforms more radical than anything since the founding of the Republic by Mustafa Kemal Ataturk in the 1920s.

Familiarity, it is said, breeds contempt. But for many of Turkey's 58m people, Mr Demirel's return 11 years after he was ousted by a military coup, is seen as the start of a new era.

The optimism is hard to fathom. Mr Demirel heads a fragile coalition between his True Path party and the Social Democratic Populists. Political division may yet derail the government's best efforts.

He inherits an economy suffering rapid inflation, high real interest rates and a mounting budget deficit. Moreover his government is likely to encounter the problems of growing labour unrest, environmental concern and student protest which the outgoing Motherland party was able to side-step when it came to power in the wake of the 1980 coup.

Mr Demirel has nonetheless caught the public mood with his liberal political programme, something President Turgut Ozal tried but was unable to pursue without party support.

Human rights, the problems of Turkey's 10m Kurdish minority, the crises in the universities and the legal profession: on all these issues Mr Demirel is pledged to roll back the authoritarian constitution framed by the military.

The changes could have far-reaching effects on the Turkish workforce and on education standards. However it is on the economy where Mr Demirel faces the greatest challenge.

In the 1970s, Mr Demirel had a reputation for political expediency. On the economy, he was better known as a *dirigiste*, raising Turkey's trade barriers to protect domestic industry.

His supporters still maintain it was those policies of import substitution – the systematic replacement of imports with national equivalents – which provided the platform for the performance of the 1980s, when exports fuelled average growth rates of more than 6 per cent.

Mr Demirel's new programme pays grudging tribute to the market reforms undertaken by Mr Ozal. Where he departs from the Ozal legacy is in the implicit call for an increased role for government in the country's economic and industrial affairs.

Mr Demirel is already involved in the difficult process of changing the guard in the civil service. Top bureaucrats are holding their breath in anticipation of their marching orders.

Some of the 500,000 civil servants were political appointees, with salaries but no real jobs. But inevitably the axe will fall on gifted technocrats whose only real fault is to have been hand picked by the previous Motherland party administration.

The coalition has a small breathing space. Economists predict a slowdown this year. The current projection is for growth of 2.5 per cent, compared with about 9 per cent in 1990, largely the result of declining investment, the Gulf war and the uncertain political environment at home. This has helped restrain inflation to 70 per cent; barely enough to keep pace with a population expanding at 2.5 per cent every year.

Meanwhile the trade picture is not getting any easier. Until the Gulf War and the UN sanctions, Iraq was historically Turkey's second-largest trading partner. New ties are being forged with the Turkish-speaking Soviet Republics, with Turkey hoping to provide a conduit for European and US companies. Netaş, the local subsidiary of Northern Telecom, for example, is exporting digital switches to Azerbaijan and other republics. However finance will be the main problem.

There is talk of a Black Sea economic zone, a Balkan community, even a free trade agreement with the US. But the heart of the current trade malaise is Turkey's relations with Europe, traditionally the target for half of its exports.

One reason is the lack of political progress, with Turkey's application for EC membership shelved in 1989 and now increasingly distant.

EC officials believe Turkey remains on track for a customs union with Brussels in 1995 under its 1960 Association Agreement. Mr Demirel is expected to propose a new unified tariff system which could in the short run increase duties as special funds are consolidated.

Ankara's own concern is the growing protectionism. Last year, Turkey was cited in more EC anti-dumping investigations than any other country. The EC argument that this is a judicial matter cuts little ice with Turkish exporters struggling to expand markets.

Perhaps a more positive way to view the current dispute is as a measure of Turkey's new-found competitiveness.

To survive in any environment where borrowing costs are at 110 per cent, a business has to be robust.

Turkey is learning that its advantage no longer lies in low-cost labour. With recent settlements, real wages have regained their pre-1980 level. The prospect of legislation to lift union restrictions may prompt even higher wage demands.

Turkish groups are now gaining access to new technology and markets through foreign joint ventures to achieve the scale economies needed to compete. State funds are also to be made available to support research and development – the seed corn of a company's future growth.

One shortcoming is that many companies remain preoccupied with Turkey's large home market. Sabanci Holdings, the country's largest industrial group, this year signed two important deals with vehicle manufacturer Toyota and US cigarette maker Philip Morris – both investments targeted for domestic demand.

More worrying is the fall in domestic investment, particularly in manufacturing. As a result, industrial employment levels are also expected to fall this year. Indeed, despite privatisation efforts, the Turkish state still accounts for about half of gross fixed investment.

The government is pledged to promote portfolio investment through the Istanbul stock exchange. Insurance companies and pension funds are to be encouraged in a bid to increase market liquidity.

But ownership presents a problem, with many businesses still concentrated in the hands of a few families. The speculative nature of so much of the share activity on the exchange is one disincentive for a company to go public. But the fundamental reason remains control.

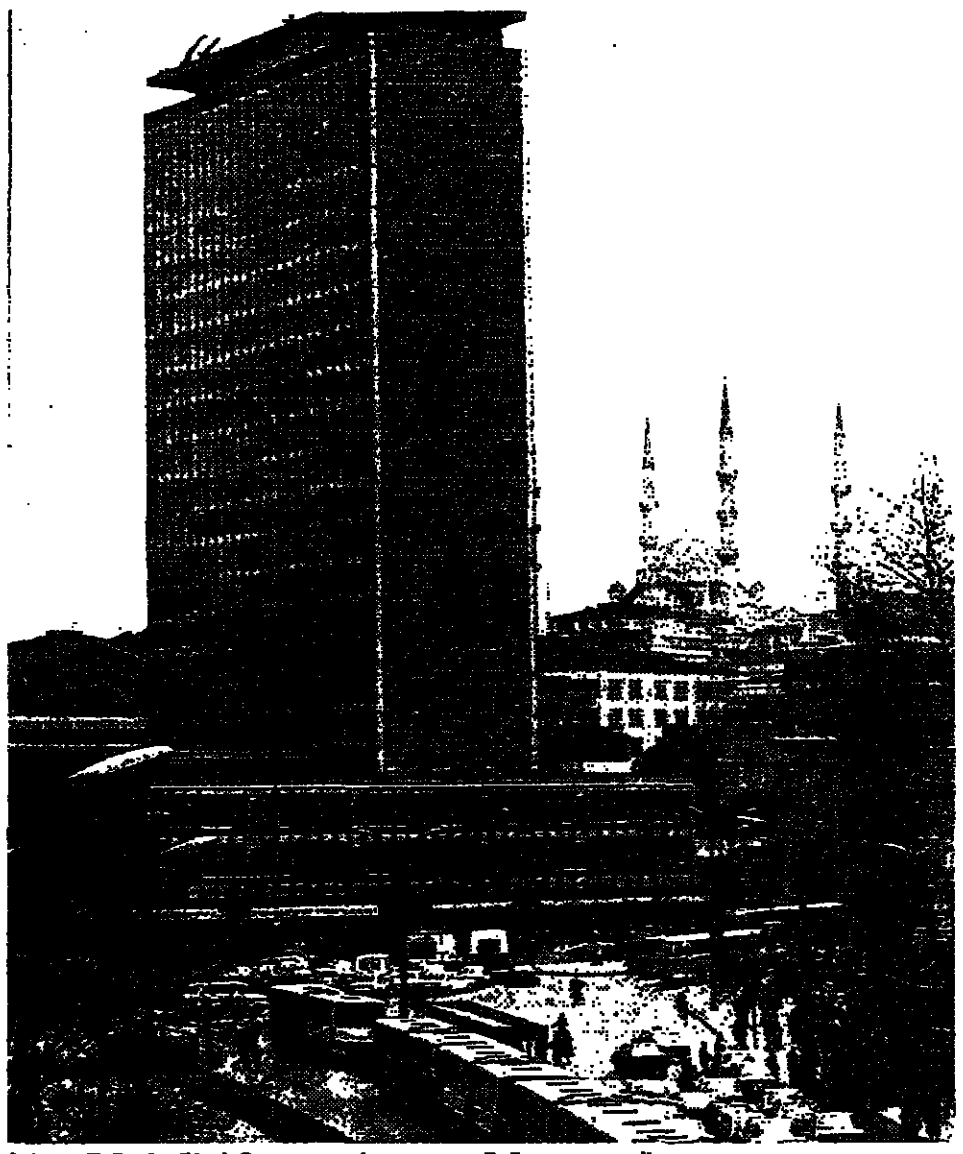
The government's own task is to tackle the problem of the public sector deficit which is now more than 10 per cent of GNP.

Government paper accounts for more than 80 per cent of capital market transactions, and dominates banking assets, crowding out the private sector and fueling interest rates which in turn add to industry's costs.

Turkey continues to suffer from the immaturity of its capital markets, the narrowness of the tax base and the need to contain foreign borrowing.

But without tackling the deficit, the danger is the government will have to resort increasingly to treasury subventions which monetise the debt and add to the inflation rate.

Turkey's public sector is not large by the standards of the Organisation for Economic Co-operation and Development, while its public services are widely considered inadequate. But it is hard to see how, without wide-ranging structural reform, Turkey can catch up with its competitors and fulfil Mr Demirel's promise of a better life.



Ankara: Talk of a Black Sea economic zone or a Balkan community Picture. Terry Kirk

IN THIS SURVEY

■ *Editorial production: Phil Sanders*

John Murray Brown reports on the economy

The honeymoon is over

LIKE a footballer's comment after the big match, Turkey's recent economic performance has been one of two halves, with the country's growing confidence as an exporter largely overshadowed by the woeful state of public finances.

"Turkey has no problems with the rest of the world, only with itself," says one foreign economist.

The new government's brief honeymoon looks set to be disrupted by rising inflation, high interest rates and a widening deficit on the budget.

Mrs Tansu Çiller, an attractive 45-year-old academic better known for having forced her husband to take her maiden name, has been entrusted with introducing tax reform and restructuring loss-making public corporations.

Her task will be made all the more difficult by the need to reconcile the broadly liberal instincts of the True Path party with the views of its social democrat coalition partners, who are less than enthusiastic about the market.

The longer-term challenge is to reverse the recent decline in private sector investment while maintaining the growth in exports at a time when $7bn has to be found every year to service the country's $43bn foreign debt.

Since Turkey liberalised its economy in the 1983, growth has averaged more than 6 per cent. In the mid-1980s, a depreciating currency, a raft of export incentives and industry's idle capacity helped to double Turkey's exports. Then, with the lira showing real appreciation in 1990, investments shot up. The growth in imports was almost as dramatic as the freeing of the trade regime fueled private consumption.

Over the past year, Turkey has seen an 8 per cent real depreciation of the lira. Gross national product is estimated to have grown by just 2.5 per cent compared with close to 9 per cent in 1990 – largely due to the effects of the Gulf War, the fall in imports and continued tight monetary policy.

The slowdown has nonetheless taken heat out of the economy. The picture has been further improved with aid – due to Turkey's role in the Gulf War – contributing about TL9,000bn or 20 per cent of the public sector's borrowing needs.

The grants have been treated as current items. Thus the current account for the eight months to August was showing a surplus of $521m.

In addition, Turkey's foreign exchange reserves stood at almost $12.5bn in November; enough for seven months of imports.

In the immediate wake of the Gulf War, Turkey was thus able to postpone the imposition of a new austerity package. Today, however, inflation is rising. The annual rate touched 70 per cent in September before falling back. Price increases for state enterprise products, delayed by the outgoing government, are likely. The government can mask the public sector's inefficiencies by raising prices, but only in the short term. The policy will further fuel inflation if monetary growth expands to accommodate.

Mrs Tansu Çiller: entrusted with introducing tax reform and restructuring loss-making public corporations

Monetary policy has been free wheeling for several months already as electoral spending made it all but impossible for the central bank to keep to its targets.

The unions, meanwhile, have been promised greater political freedoms. This could translate into new wage demands, creating further inflationary pressures. Internationally, Turkey's trade performance continues to improve but the search for new markets looks uncertain. Turkey is already the subject of a number of EC anti-dumping measures – more than for any other country. Negotiations continue with Brussels on tariffs in line with Turkey's commitment to a customs union agreement due to be agreed in 1995.

As for its Middle East business, talks are deadlocked on opening the pipeline with Iraq, Turkey's second-largest trade partner. Baghdad refuses to conform with UN Resolution 706 calling for a one-off oil shipment worth $1.6bn. Business with former eastern bloc neighbours and the Soviet republics will remain difficult as long as hard currency shortages persist.

Remittances from overseas workers will provide some relief, although this big foreign exchange earner looks set to fall this year from the $3bn in 1990.

The tourism industry represents the one bright spot, with early bookings indicating that receipts may well reach $4bn in 1992, up from $2.5bn projected for this year.

On public finances, Mrs Çiller's room for manoeuvre is limited. As a share of GNP, the Turkish public sector is the smallest of the Organisation for Economic Co-operation and Development (OECD). Public services are often inadequate.

On the expenditure side, civil servants' salaries and debt service comprise about 70 per cent of the total budget outlay. The army will want to see defence spending increase as it bids to upgrade key technologies. The government is also pledged to continue to support the vast GAP south-east Anatolian irrigation project; vital if the economy of this troubled Kurdish-speaking region is to revive.

Most economists believe there is some scope to raise revenues in what is one of the least taxed countries in the OECD. The government has said it will review some of the tax exemptions and immunities. Interest paid on both government and other securities is currently tax deductible – an unnecessarily generous provision in an environment of high inflation.

The government's prescription for industrial recovery is more controversial. After years of market-based reforms, the new government is talking of engineering industrial development by way of incentives for foreign investors and subsidies for local producers. Privatisation is only to be used to provide equity capital for new investment.

The programme, if implemented, could mark the biggest shift in Turkish policy since the days of import substitution in the 1970s.

But it will take money. Without correcting the fiscal imbalances it is hard to see how government funds will be available for the sort of industrial promotion envisaged.

Equally, the monetary and fiscal reforms will come to nothing without a more radical shake-up of the state enterprises.

Banks broaden their horizons

Building ties overseas

NO longer content with their insulated domestic market, Turkish bankers are dipping their feet in international waters, embarking on joint ventures and acquisitions in Europe and the US.

The country's banking sector has become visibly more sophisticated in the past few years. The potential for growth in retail banking, with the introduction of credit cards and automated teller machines, was one incentive for Turkish banks to build ties abroad.

At the same time, a surge in foreign trade made Turkish businessmen, constantly on the lookout for cheaper financing, aware of different products offered on international markets.

According to Turkey's Banks Association, Turkish groups now control seven banks in western Europe and three in the US. It is no coincidence that their main activities are trade financing and foreign exchange transactions: these are the two areas where banks in Turkey have recently found it easiest to make money.

Foreign bankers in Istanbul dismiss the suggestion that Turkish expansion abroad might affect their own flourishing trade financing business. They acknowledge that by raising their profile through a foreign presence, Turkish banks can effectively increase their funding leverage. "A Turkish bank in Paris can get franc deposits from other Paris banks much more easily than in Turkey, even if it's only a small operation," says a foreign banker.

Central bank supervision in Turkey is tighter than in the past. By 1993, the banks' capital adequacy ratios must be brought up to international levels and for the past three years, banks' accounts have been externally audited.

The preference shown so far for European Community countries reflects the belief of some Turkish bankers that gaining a foothold in Europe in advance of the single market will give them a competitive edge later in the 1990s.

However, some institutions such as Ziraat Bankasi, the state-controlled agricultural bank, are keen to establish a broader international network. Ziraat, Turkey's biggest commercial bank, has transformed itself from an unwieldy state credit agency into an outward looking modern institution under Mr Coşkun Ulusoy, a US-trained banker. Deutsche-Türkische Bank, Ziraat's joint venture in Frankfurt with a local bank, with capital of DM33m, is intended to provide advanced financing assistance with the initial aim of securing a larger slice of German-Turkish trade than a Ziraat branch could aspire to on its own. Ziraat is also making a US acquisition, taking advantage of the plunge in share values of American banks, as well as preparing joint ventures in Soviet republics.

Three other Turkish banks, two state-owned and one private, have together targeted the French market, setting up a joint venture in Paris with Banque Worms which is capitalised at Fr80m. In addition to trade financing, the new institution, Banque de Bosphore, offers investment banking and capital market services. Like its Frankfurt counterpart, it also aims at servicing a large community of expatriate Turkish workers.

The privately-owned partner in the Paris venture, Finansbank, last year made the first Turkish bank acquisition in Switzerland, acquiring a mortbond institution, PGB Privatbank Geneve, that had done very little business during two years in operation.

Mr Husnu Ozyegin, who founded Finansbank four years ago, has a reputation for being one of the most aggressive of younger Turkish bankers. His Swiss acquisition, seen as a launchpad for doing business with eastern Europe, has the advantage of being able to offer anonymity for customers under Swiss banking law.

At Iktisat Bank, another private institution, Mr Erol Aksoy is tracing a similar path, with acquisitions in France and the US.

Iktisat holds a 75 per cent stake in Banque Internationale de Commerce (BIC)in Paris, with paid-up capital of Fr70m. Last year it paid $8 (eight) to take control of Park Avenue Bank, a New York institution with an unsuccessful record in private banking. Under Mr Aksoy, Park Avenue is focusing on specialised trade finance, offering a range of services to East Coast exporters.

"Our strategy is half local business, half international. We prefer to act as lead manager in the syndication market, keeping only a small part of the Turkish risk on our books," Mr Aksoy says.

However, foreign acquisitions have not always been plain sailing for Turkish banks. The Çukurova group, an industrial conglomerate which owns four banks – including one in Germany – was the leading bidder for British and Commonwealth Merchant Bank (BCMB) after its collapse in 1989. But the deal collapsed after two British clearing banks showed reluctance to roll over their interbank deposits with BCMB in order to provide it with liquidity.

Iktisat, too, had its share of difficulties in Britain. When it became clear that Bank of England approval would not be forthcoming for a BIC branch in London, a trade finance company was set up instead.

"We decided to start doing business in London anyway, establishing a presence and getting to know the market. We'll be applying for branch status early in 1993," Mr Aksoy says.

Kerin Hope

■ BANKING

Leaner times ahead

TURKISH bankers are preparing for leaner times. After the astonishing profits record of recent years, the industry looks set for a period of consolidation.

For the past six months, as the country approached elections, boardroom discussion has been dominated by one issue: that of interest rates.

The tight money policy pursued by the central bank, increased banking costs as banks expand their networks and switch to computerisation coupled with the growing budget deficit, have pushed up the cost of credit.

In real terms, only Ziraat the state agricultural bank, now offers negative real rates. The rate of interest on a one-year bank deposit reached 80 per cent in late November before falling on the announcement of the economic programme of Mr Demirel's coalition government. Turkish manufacturing, meanwhile, is paying close to 110 per cent for working capital.

The high reserve requirement – the proportion of a bank's deposits to be held at the central bank – is now about 13 per cent, adding to banks' costs. Bank intermediation expenses mean the spreads – the difference between lending and deposit rates – remain large by the standards of other OECD (Organisation for Economic Co-operation and Development) economies.

The one comfort for bankers is that the volume of non-performing loans has turned out to be smaller than expected. The head of an Istanbul bank estimated that less than 0.5 per cent of consumer loans would have to be written off.

Turkey's banking landscape has certainly changed dramatically since the financial crisis of 1982. Better managed and more professionally audited, in many ways Turkish banks have set a standard for the rest of the country's industry. Banks are the only institutions which by law have to be externally audited, lodging their accounts with the central bank.

The industry has mushroomed to finance Turkey's economic growth, which has averaged 6 per cent over the past decade. Today there seems to be a bank on every street corner. Many carry the names of the commodities which they were originally set up to finance.

Every self-respecting Turkish group has its own bank. Sabanci group, the largest industrial company, owns Akbank the most profitable private bank. Koç Trading owns Koç American. Dogus construction group owns Garanti Bankasi. Çukurova, another large Turkish conglomerate, is estimated to earn more than half its revenues from financial business from its subsidiaries – Yapi Kredi bank, Pamukbank and Interbank.

Turkey's banking sector is still dominated by three big banks: Ziraatbank the state-owned agricultural bank, Isbank also state-owned, and the private Akbank. Together, these account for more than half the banking sector's assets.

Banks have traditionally been among the most profitable institutions in Turkey. Of the 100 or so listed companies on the Istanbul stock exchange, the four best performers are banks.

Many in the industry expect corporate finance work to take off as Turks search out foreign partners and foreign investors take direct equity stakes to gain more management control over Turkish businesses

However the coming period may prove leaner. The quality of many loan books has deteriorated in the past two years as consumer lending has taken off and domestic investment has slowed down.

The cosy relationships between banks and their affiliated companies will pose a serious challenge for banking supervisors.

Some banks have floated equity on the stock market partly to meet the capital adequacy requirements of the Bank of International Settlements. But most Turkish banks are still considered undercapitalised. Indeed, the equity positions in related companies can sometimes be more than the capital of the bank itself. To comply with the BIS, banks may now have to sell off some of their industrial participations.

The state sector banks face even tougher times. The new government is widely expected to replace the heads of the state banks. World Bank support for financial sector reform has been held back because of continuing problems at Ziraat. With reform of the state enterprises mooted, the state banks will have to compete more with the private sector for their savings.

In the recent high interest environment, banks have had little incentive to improve efficiency. Under the outgoing Motherland party government the state has had an almost insatiable appetite for funds, providing banks and other investors with low-risk, high-yielding assets.

Where brokers in the UK will focus on the coupon offered on a government gilt-edged stock, in Turkey, volume is the key indicator at the weekly treasury auction. Government securities account for about one third of banking assets, squeezing out the private sector's demand for investment capital. Under liquidity requirements, banks are obliged to hold 30 per cent of their deposits in government paper. Provided government bond rates reflect positive real interest rates, banks will make money. Moreover, those holding government bonds enjoy tax exemptions, which encourages banks to hold treasury paper to reduce their tax liabilities.

Over the past six months, the industry has been preoccupied with a tug of war between the central bank and the government. Under Mr Rüşdü Saracoğlu, the central bank tried to keep interests rates high to protect the currency and the government was keen to see rates drop to spur investment. "No one wanted to take a deposit of more than three months," says one leading banker.

Investment has suffered, with private domestic investment falling in 1991 for the first year time in a decade. This trend is reflected in a shift in bank loan books with the emphasis increasingly on consumer credit rather than on lending to manufacturing industry.

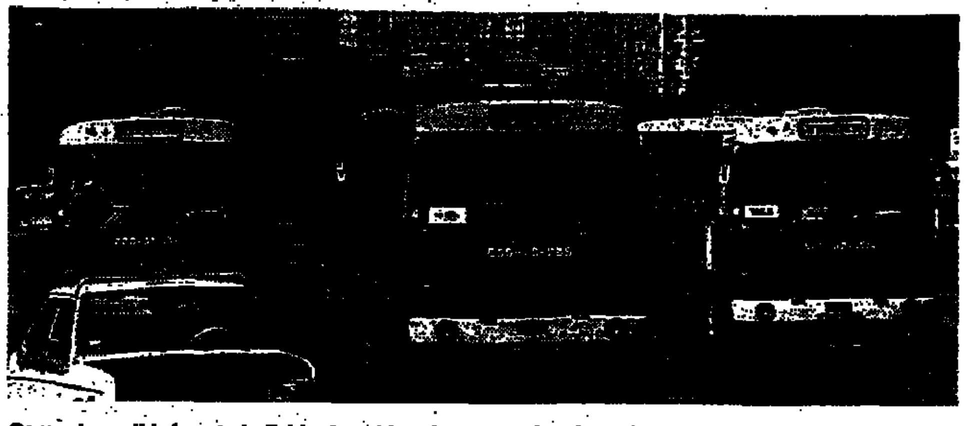
Some economists are concerned at the recent proliferation of new banking licenses awarded to domestic banks and new foreign banks. Another imponderable is the effect of the recent buying spree on bank balance sheets as Turkish banks snap up overseas operations in Europe and the US. The more conservative of Turkish bankers dismiss the move as a fad.

A richer prospect is the merger and acquisition business. Many in the industry expect corporate finance work to take off in the next few years as Turks search out foreign partners and foreign investors take direct equity stakes to gain more management control over Turkish businesses.

Today, bankers wait to see how the new government will flesh out its proposals on tax reform and improve the efficiency of the state sector companies. One banker warned that the changes proposed by the new government, in relaxing the prudential ratios, could in the short term increase banks' funding costs.

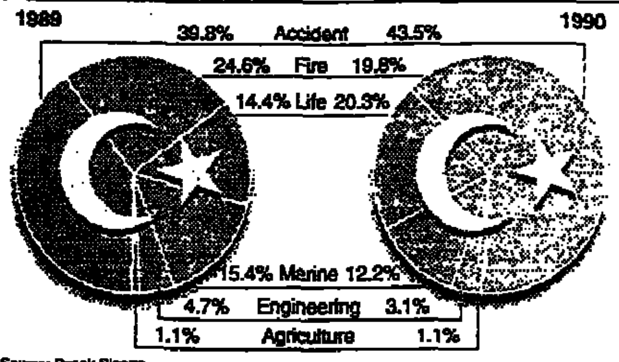
The first task will be to reduce the demand for treasury financing. By increasing the financial disciplines of the state sector, the government hopes to cut the deficit. Only then will the government tackle the question of banking sector reforms.

John Murray Brown



Compulsory third-party individual accident insurance has been introduced for buses

Composition of insurance sector



Source: Basak Sigorta

■ INSURANCE

Alarm bells are ringing

SOME sectors of the Turkish insurance industry probably wish they had been able to *take out storm-damage policies* of their own. The industry has been going through a period of rapid change with the injection of a strong element of competition through the abolition of the tariff regimes.

But the new element of competition, while freeing the industry from the shackles of tariffs, has set alarm bells ringing as companies warn of the effects of price-cutting.

The price-cutting is squeezing margins and could, according to those in the industry, lead to company failures. As one foreign observer put it: Only the fittest will survive.

The companies are doing battle in one of the least developed insurance markets in the world. As such it offers great potential.

Mr Süphan Altinordu of insurance group Merkez Sigorta estimates that only 10 per cent of insurable risks are insured despite the rapid growth in premium income terms in recent years. In addition, per capita direct premiums stood at only around $14 in 1990.

The insurance sector as whole netted about TL2,200bn in direct premium income last year which adds up to an average rise of well over 100 per cent at current prices and *around 50 per cent in real* terms.

But in the first half of this year the figure had shot up to TL1,900bn, a leap of more than 91 per cent. Business was heavily weighted to the non-life side.

Of last year's total, however, foreign companies accounted for only a relatively small segment, which some figures put *as low as 8-9* per cent of direct premium income.

The raft of changes instituted last year were aimed at liberalising the sector, which had been constrained by government-imposed tariffs, and at strengthening the companies' financial positions.

The measures included the abolition of the tariff regime on all non-life branches, excluding compulsory insurance, and freed accident, engineering, agricultural, fire and marine insurance.

There were increases in the categories and premium rates for compulsory insurance and health insurance was deemed a separate branch of the business. In addition, compulsory third-party individual accident insurance was introduced for buses.

To strengthen the sector financially, the minimum capital requirement has been hoisted to TL15bn from TL5bn, while the authorities have limited maximum premium income to four times shareholders' equity, a constraint which is hitting some companies.

The notorious motor sector, a veritable sink according to one observer, has seen changes which were sorely needed in view of the sector's poor record.

Premiums for Trafik or basic third party insurance had been very low given the number of claims and the average standard of driving. Rates have now been lifted sharply and will be regularly reviewed.

Some stress, however, that while the changes should create a healthier and more competitive sector they have been introduced too rapidly.

Mr Faruk Omrüuzak, general manager at Bati Sigorta, said: "I think we needed a transition period. Some companies are making very big rate cuts. It is hitting industry profits and I think some (companies) will be affected very badly."

His warning is echoed elsewhere in the industry. In its annual report, the insurance group Basak Sigorta said of the dismantling of the tariff system: "In the short run, extreme competition poses the danger of undermining the financial stability of the sector." In the long run, however, it saw a stronger industry developing.

Mr Murat Kortan, assistant superintendent reinsurance at Basak Sigorta, said he foresaw rationalisation taking place as some smaller companies either disappeared or were merged with their bigger brethren.

Concern over the instability in the short-term has also to be viewed against other problems. First you have to catch your customer. As Mr Kortan said: "People in the main are not planning or saving."

Admittedly, high inflation is a disincentive to both. But, he pointed out, many Turks have never regarded insurance as important.

The attitude to fire insur*ance and other safety aspects* reflect the approach of many to insurance and it is in areas such as these that insurance officials believe business could be driven by legislation introducing compulsory insurance.

But once the customer has been found he or she could provide the company with another headache.

An abiding problem has been the *late payment of premiums.* This has bugged the companies for years and is now estimated to be running at about 45-50 per cent.

At this level, companies' cash flows are being hit hard – something they can ill afford when faced with inflation running at about 70 per cent. Concern over this issue has led some within the industry to advocate an industry-wide code to solve the problem. Such a code could, for instance, make it a requirement to pay premiums on the inception of a policy.

The situation was aggravated when some companies tried to gain an edge in the market by offering extended periods in which to pay for policies. This added a further twist to the problem of depleted cash flow.

But action has been taken to ameliorate the problem. Those taking out a policy now have to make initial payments of 40 per cent and have to complete the payment within six months.

The problems are tough at the moment but the incentives to stay in the market are great. The sector has a long way to go in terms of sophistication so there is a great deal of scope for development in areas such as *liability, risk insurance* and life.

There should be increasing business in private health insurance because of dissatisfaction with the state system and on the pension side, to augment the state health system. But much of this development is dependent upon not only the ability of the companies to provide the policy *instruments but the public* to understand and want them. Advertising has been stepped. Mr Kortan says: "Turkey has a very young population and we must start educating them as to the value of insurance." If that can be achieved, then the potential is very great, given the current penetration of the market.

Companies believe the life business will boom as awareness and the range of products increase. In the first half of this year, life business for the industry as whole rose nearly 100 per cent to about TL395.6bn, compared with the same period the previous year.

Mr Kortan points out that there is a tax incentive for customers to take out a policy and they are increasingly seeing the endowment policy as a savings vehicle.

As for the companies, claims are low and the premiums can be invested with banks at rates which now stood at about 70 per cent or more.

Turkish groups are already taking on increasing numbers of highly qualified staff and improving management techniques, such as risk management which had been neglected in the years of fixed tariffs.

As Mr Omrüuzak says "The *future is bright*". His *hope* is that the industry will compete through products rather premiums. It is hard to say how far off that day is but for some it may cannot come quickly enough.

Bob Vincent

Kerin Hope reports on the accounting industry

Growing pains linger on

TURKEY'S accounting industry is still suffering growing pains, almost a year after a law establishing a legal framework for the profession came into full effect.

Initial fears that the international accountancy houses, several of which have built flourishing practices over the past decade, would see their share of the market shrink now seem unfounded.

However, considerable restructuring was needed to meet the new legal requirements. Turkish rather than foreign names now take precedence on company letterheads *since the law banned auditors* who are not Turkish citizens from signing a local company's balance sheet. The international houses now describe themselves as affiliates of Turkish companies whose shareholders are practising accountants.

"For a country that wants to join the European Community, the law is hardly a step in the right direction. But business life is evolving so quickly here that the international accounting practices won't suffer,"

Turkish accounting does not use the standard accruals convention

says a Turkish accountant.

The international houses provide *external audits* for banks and local subsidiaries of foreign companies, as well as Turkish companies seeking financial statements in line with international accounting standards, with a view to obtaining loans in foreign exchange or establishing partnerships abroad.

In addition, some larger Turkish holding groups, whose activities are often highly *diversified, request* consolidated figures – not yet required under Turkish law – for internal use.

The problems faced by administrators trying to untangle the Turkish and northern *Cypriot* operations of *Polly* Peck International, the UK-*based fruit and electronics* group, turned the spotlight on some of the gaps in Turkish accounting.

Turkish accounting does not use the standard accruals convention whereby expenses and revenue are assessed in the period incurred, not when paid or received. As the system is designed to accommodate tax regulations, it can often give a misleading picture of a company's financial health.

Tax legislation normally does not allow accruals for slow-moving inventories, doubtful trade debtors and companies' liability for sever*ance or retirement* pay. *And* Turkish companies' books do not refer to deferred income tax payments since their statutory financial statements are used to determine taxable income. On top of that, other than an annual revaluation of assets, no allowance is made for inflation, currently running at 70 per cent.

Equally, the government encourages a liberal depreciation policy, which enhances a company's cash flow rather than its tax liabilities.

The new law splits the accounting profession into three categories: auditors, tax consultants and book-keepers. It provides rules on qualifications and areas of responsibility. As a result, established Turkish accountants have spent much time and energy winning certification from the Finance Ministry so they can continue practising.

The law also permits university professors of accounting as well as government tax inspectors to become auditors. Critics complain that standards are unlikely to improve because the tax inspectors, who form the majority of new entrants to the profession, have little knowledge of international accounting principles.

On the other hand, in their new role as auditors, they may help the Finance Ministry to boost revenues from corporate taxation.

"There are many companies around like Polly Peck. The family-controlled structure of Turkish business, *even of large* concerns, means companies *can easily* be exploited by their owners," says one observer.

The law laid down stiff penalties for malpractice, including imprisonment for an auditor who signs an inaccurate tax certification. But it did not set up a professional body or institute that could help bring Turkish accounting in line with international practice.

However, some ground is being covered by the Capital Markets Board (CMB), the government watchdog for the Turkish securities and investment industry, which has tightened up reporting requirements for banks and for companies *listed on the Istanbul* Stock Exchange.

Three years ago, banks were asked to start presenting externally audited balance sheets to the central bank. An auditor could be selected from a list of more than 30 approved names, including the international houses.

Listed companies also undergo external audits annually, while financial statements of companies coming to the market must be signed by two qualified accountants. Some

Hopes for broader change rest with a committee set up last summer

companies on the bourse now submit interim results, but as they are *not audited, disparities* can be so large that, when the official financial statement is published, shareholders complain of being misled.

"The CMB-required statements are close to international practice though there are incompatibilities in some areas – depreciation for example, and capitalisation of foreign exchange," says one accountant.

Hopes for broader change rest with a committee set up last summer to draft a uniform charter of accounts for local companies and develop a set of accounting standards for Turkey. But much will depend on *how rapidly its recommendations* are adopted.

■ STATE SECTOR REFORMS

An uncertain future looms

MR Süleyman Demirel, the prime minister is choosing his words carefully. Reform of the state sector was never going to be easy in a country where "etatism" was once almost a national religion.

The government has nonetheless put the issue at the centre of its economic programme – Mrs Tansu Çiller, the minister in charge, prescribing a period of rehabilitation rather than a garage sale of state assets.

Mrs Çiller has given herself six months to push the necessary laws through parliament. The results may take a lot longer to realise.

In the short term at least, privatisation as set in motion by the outgoing Motherland party government, faces an uncertain future. As the World Bank argued in a report last year: "Turkey's privatisation effort has shrunk to being a technique for financing the budget deficit, with the loftier targets of greater efficiency pushed into the background."

The aim of the programme was to increase efficiency in the state sector as well as enhance the market economy. It also sought to spread share ownership in the economy using the flotation of state companies to give a boost to the country's infant stock exchange.

Its achievements have been modest. The sale of minority stakes in public companies raised about $300m in 1990 and is expected to raise a further $600m in 1991. The stock exchange had little appetite for state companies while the block sale of shares to foreign interests encountered legal objections.

Unlike in eastern Europe, in Turkey there has never been a great political momentum to roll back the frontiers of the state. Indeed, the Motherland party government never sought to garner a broad consensus behind its programmes, pushing ahead using its parliamentary majority.

Even the bureaucrats charged with implementing the programme often seemed less than happy about a policy whose ultimate aim could be seen to reduce their influence over the economy.

Mrs Çiller's proposals do not rule out privatisation. But her short-term target is for institutional reform of state sector companies, investing funds where necessary and scaling back loss-making operations.

She faces a formidable task. The Turkish state constitutes a massive drain on national resources. In all, the government has stakes in 235 enterprises – either majority holdings, affiliates or minority interests – ranging from state utilities to trading and retail operations.

The state accounts for an estimated 45 per cent of gross fixed investment, although this is much less than it was 10 years ago.

The management will no longer be appointed by the government

The internal debt of the public sector enterprises – central government subventions to cover their operating losses – is this year estimated at TL18,000, or 40 per cent of the public sector borrowing requirement. In addition, the outstanding foreign debt of the state companies is more than $4bn.

In the words of one Treasury official, the government could build 10 brand new universities with the money now used to keep the Zonguldak state coal corporation running. In short, Turkey can no longer foot the bill.

Mrs Çiller's plan is to rationalise the state sector, merging the companies according to their business activity. The enterprises will be consolidated as joint stock companies under the Turkish commercial code and organised under nine new holding companies. The management will no longer be appointed by the government but will be directly responsible to parliament.

Economists have been quick to point out the plan's shortcomings. For one thing, the programme appears not to cover the main loss-makers – the state railways, the state telecom company, the power utility, the tobacco and alcohol monopoly and the Turkish grain board. Together, these are said to account for 90 per cent of the state corporations' total deficit. With these enterprises still controlled by their respective ministries, the problem of political interference will remain.

Even the more limited objective of improving the management could meet with legal objections. According to the constitution, all managers of state companies have to be civil servants, answering not to the commercial code but to civil service law. The idea of public sector managers being motivated by a profit incentive has still to take root.

The plan has clearly been shaped as much by political as economic and commercial considerations. No government minister, especially one in a fragile coalition, wants to take responsibility for laying off thousands of workers. That decision would, under the new arrangement, be left to parliament. Zonguldak, for example, employs more than 50,000 men. The state sector as a whole employs almost 500,000.

Prime Minister Süleyman Demirel: choosing his words carefully

Picture: Terry Kirk

There could also be opposition within the coalition. On two occasions this year, the Council of State, the highest court of administrative law, has ruled to annul the sale of state enterprises.

It was Mr Demirel's own True Path party, DYP, which raised objections when the old government sold five cement companies to a French concern in 1989, a move which has still not been fully resolved in the courts. The constitutional court ruled that the sale was illegal, arguing that it contravened the terms of a 1987 decree which gave priority to domestic buyers.

Privatisation suffered another setback in November when the Council of State ruled against the 1990 sale of Usas, the airport caterer, to the Scandinavian Airlines System. On this occasion, it was the a deputy from the Social Democratic Populists, the SHP, who first filed the suit.

The SHP is now opposing plans to sell the distribution companies of Tek, the power utility, to domestic buyers.

The sale was one of the conditions for a $300m World Bank loan to restructure the state concern.

With the DYP and SHP in coalition, the chances for further sell-offs appear fairly bleak. But then as one Turkish economist put it: "What you do in opposition is one thing. In government, people act differently."

John Murray Brown

Kerin Hope on the car manufacturing industry

Enjoying dynamic growth

LOOKING out of a taxi caught in one of Istanbul's frequent traffic jams, the impression is of being surrounded by an army of trim but old-fashioned saloons.

If their shapes seem familiar, it is because the most popular cars in Turkey are locally made versions of the Fiat 131 and Renault 12. The Turkish car industry is enjoying dynamic growth, with total sales forecast to rise above 230,000 units this year; a 40 per cent improvement over 1990. Industry analysts predict that before the end of the decade the domestic market will absorb 500,000 cars a year.

To meet the surge in demand, Fiat and Renault have rushed to expand their plants at Bursa in south-west Anatolia, introducing more up-to-date models. But competition is expected to intensify with the arrival in Turkey of a Japanese car maker.

Toyota has launched a $400m joint venture with Sabanci, a leading Turkish conglomerate, to produce the 1.6-litre Corolla at a greenfield site at Adapazari in north-west Anatolia.

Sabanci holds a 50 per cent stake in the venture, while Toyota Motor Corporation and Mitsui Corporation have 40 and 10 per cent respectively. The project was delayed by difficulties in finding a suitable site within easy reach of Istanbul, the main Turkish market with one third of total car sales. The first Corollas are now expected to roll off the assembly line late in 1993.

Meanwhile, a network of Toyota dealerships is being established around the country with the aim of whetting the Turkish consumer's appetite through a steady supply of imports, both of the Corolla and other Toyota models.

Japanese cars already head the list of imports, which have risen sharply after tariff cuts in 1989 enabled them to compete with locally produced models. With duties now set at 39 per cent, imports account for almost one quarter of total sales. But further import penetration, particularly by European models, could be restricted by a lack of spare parts and after-sales service, according to industry analysts.

The Toyota factory is intended to make 100,000 cars a year, although it will take up to five years to reach this target from 12,000-15,000 units in the first 12 months of production.

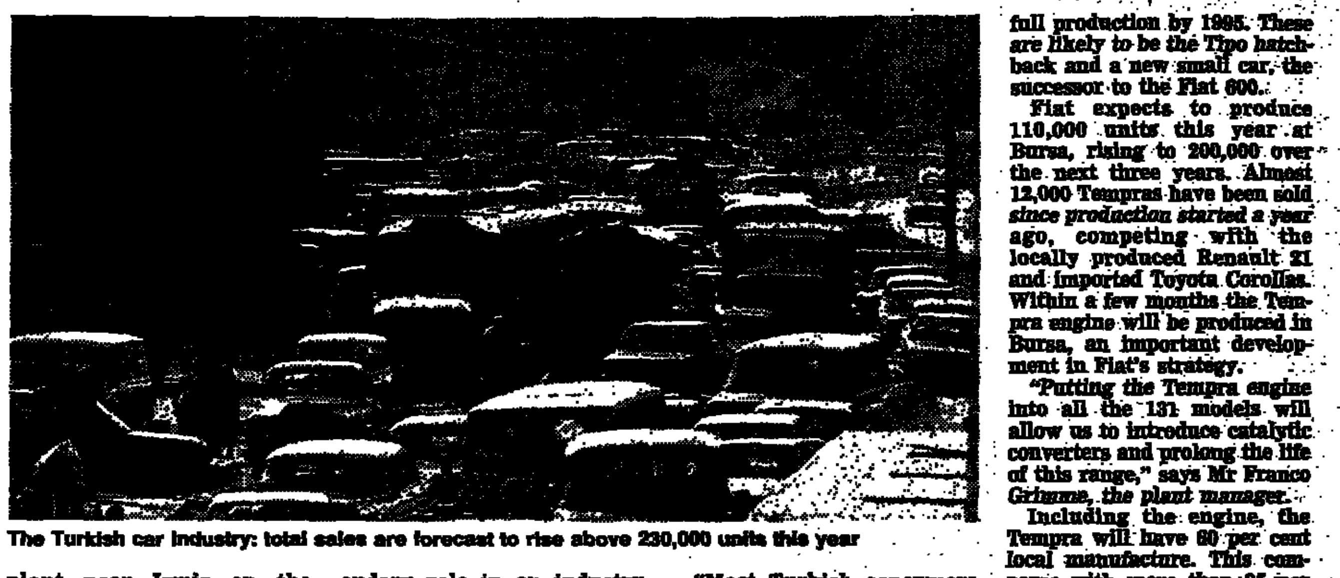
The Corolla's engine and transmission system will initially be imported, probably from Toyota's UK plant. A parallel factory to manufacture electrical components is planned at Adapazari; eventually about 70 per cent of the car will be local production.

"It's not realistic to try (to produce a 100 per cent Turkish-built car," says Mr Ozdemir Sabanci. "But the difference in import duties between built-up cars and auto components is not very big, so we need to be operating at full capacity before we can become profitable."

Although wages in the Turkish auto industry have risen by about 30 per cent in the past year, approaching southern European levels, automation along Japanese lines is not a priority, according to Mr Sabanci. While assembly lines will be fully computerised "robots would be introduced only gradually as we gain experience." In fact the Corolla, aimed at a small but growing number of Turkish consumers looking for a more powerful and stylish car, is not expected to capture much more than 25 per cent of the local market.

"But just to maintain that percentage we would probably have to expand as soon as we reach full capacity," Mr Sabanci says. "There will be plenty of room for other manufacturers."

However, little has been heard of a $400m project by Peugeot and Citröen to produce the Peugeot 405 at a plant near Izmir on the Aegean coast since the collapse of Polly Peck International, the third partner in the venture.



The Turkish car industry: total sales are forecast to rise above 230,000 units this year

Production of the Opel Vectra by General Motors of the US is underway at a plant at Torbil near Izmir. A total of 5,000 cars – half the factory's annual capacity – will be shipped this year to France, Italy and Spian in an $80m export deal.

Exports tend to play a secondary role in an industry based for years on import substitution. But Renault last year sold $90m worth of cars, including a shipment to the Soviet republic of Moldavia. This year, Fiat expected to earn $18m from sending 3,000 completely knocked down kits (CKDs) for assembly in Egypt.

Fiat, in a joint venture with the local holding group Koc, dominates Turkish car sales, with a 57 per cent share of the market.

"Most Turkish consumers still choose a roomy family car, but we think demand will grow both for an executive car and for a smaller car for young people and city driving," says Mr Ugurman Yelkencioglu of Tofaş Oto, the Fiat distribution company.

Fiat will have spent $400m by next year on increasing plant capacity to produce the 1.6-litre Tempra. An additional $590m investment is planned to bring two more models into full production by 1995. These are likely to be the Tipo hatchback and a new small car, the successor to the Fiat 600.

Fiat expects to produce 110,000 units this year at Bursa, rising to 200,000 over the next three years. Almost 12,000 Tempras have been sold since production started a year ago, competing with the locally produced Renault 21 and imported Toyota Corollas. Within a few months the Tempra engine will be produced in Bursa, an important development in Fiat's strategy.

"Putting the Tempra engine into all the 131 models will allow us to introduce catalytic converters and prolong the life of this range," says Mr Franco Grimma, the plant manager.

Including the engine, the Tempra will have 80 per cent local manufacture. This compares with more than 95 per cent for the 131 series, for which only the carburettor, camshaft and a few electrical parts are imported. Twenty years of car-making in Bursa has spawned a network of local components suppliers, sometimes in co-operation with foreign manufacturers.

With only 1.8m privately-owned cars in a country of 57m people, the car producers feel confident there is almost unlimited room for growth.

■ THE STOCK EXCHANGE

Intent on expanding its services

AS ONE Istanbul broker put it: "We have more time these days to savour the delights of the Bosporus." But that was before the formation of a new government in Turkey breathed some life into a deflated Istanbul stock exchange.

Turkey's newly formed coalition government has promised to curb public spending and cut interest rates to stimulate the stagnant economy. It also pledged to diversify capital market instruments which is welcome news to the exchange.

On November 26, shares shot up to an eight-month high in a rush of buying that lifted the market 21 per cent in two days. The 75-share index soared 10.32 per cent to 4,544.02; the highest close since March 27 when it stood at 4,596.56.

As well as the hopes for lower interest rates, the bourse was looking to possible tax changes to encourage equities and the return of foreign investors.

Mr Ismail Kovaci, an official at the stock exchange, said that foreign and small investors had been attracted back to the market which by early December had stabilised after the recent surge. However, he said, the auguries were good.

The market's price earnings ratio at December 6 stood at 15.9 and the value of shares traded had jumped to TL31,300bn; double the amount at the same stage last year.

Before the formation of the government coalition, the stock exchange had taken on an unwelcome and uneasy calm. Little new money was coming in and the ISE 75 Index had taken a dive from which some brokers believed it would take a considerable time to recover.

The key, Istanbul brokers were saying, was the formation of a new government. Once that had been achieved, the hope was that the exchange's ISE Index would start to take off again – as indeed it did.

The market had declined significantly, said Mr Kovaci. Small investors had deserted the stock exchange and had either put their money into the banks where they could earn more than 70 per cent interest on some deposit accounts, or into foreign currency.

The market, he added, had become extremely sensitive to political events and concern over the economic fundamentals was keeping investors away.

In addition, foreign investors had avoided allocating fresh funds, which further depressed the market, said Mr Sinan Arslaner, manager at Tekstilbank.

Brokers looked back with fond memories on the heady days of 1989, a vintage year when the exchange managed to put on continuous gains on all fronts. During that year, the average return was more than 500 per cent on leading stocks.

Last year also had its moments. The ISE Index shot to a record high of 5,749 in August, ironically just as Iraq invaded neighbouring Kuwait. But the shock-waves from that war dragged down the market, leaving the index at 3,255 at the year end.

Since then the economy has been putting on a relatively lacklustre performance and political worries have taken the place of concern about the war.

The election in October produced a temporary political vacuum as a result of which there was little incentive to invest. Short-term speculation became rife while the long-term investor decided to wait on the side-lines until a coalition had been formed.

Mr Yilmaz Kalkavan of the Istanbul brokers Rehber Menkul Kiymetler said that the instability had hit the market hard; so hard that it had almost returned to its 1989 level.

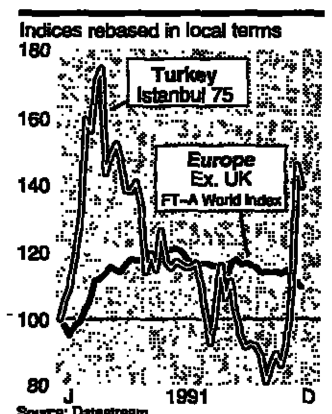
He believed the cheapness of blue chips stock might in itself be sufficient to bring back reluctant investors. Once the upturn started he predicted that it would be strong one.

The developing Istanbul stock market – it was opened in its present form in 1986 and to foreign investors in 1989 – has certainly displayed vigour in its early years. It has had to face challenges presented by the changing economic and political environment and those of a more elemental nature.

Turkey's high inflation – now standing at about 70 per cent – is one test of its mettle. Soaring inflation has resulted in the stock market having to compete with exceedingly high bank interest rates.

The ISE has in the main succeeded in performing well against the one-year bank deposit rate, but last year it was just beaten by the banks.

Helping it to counter the high bank interest rates are several factors, including the absence of capital gains tax, no stamp duty. An added incentive to the foreign investor is that earnings can be freely remitted overseas.



Source: Datastream

It has also had to absorb the government's privatisation stock. Last year the Public Participation Administration (PPA), a government body responsible for privatisation, made bulk sales of six blue chip companies, causing indigestion in the market.

Mr Arslaner also pointed out that some issues had been too highly priced, for which he blamed the lack of consultation with the institutions.

The tempo of privatisation which was introduced in part to boost the infant market has, however, slowed markedly this year as a result of the torpid state of the stock market.

Mr Kalkavan believes that initially the process of privatisation had been too fast and that because of this any weakness in the market would be exacerbated. But, he added, the government had improved its technique.

One benefit of the slowdown in market activity was that the exchange was at least able to catch its breath. Since it is still a physical market, the rush of trading put great pressure on the system and this is an issue which is being addressed by the authorities.

At the end of October the number of companies trading on the exchange had risen to 133 and this is set to rise. The expansionist aims are laudable but those working in the market realise that it will have to improve its facilities, both in terms of accommodation and the dealing system, if it is to achieve its ambitions.

Last month at a conference of fund managers in Istanbul, some of these problems were highlighted. The exchange was urged by fund managers from western brokerage houses to improve its settlement service, automate trading and improve the disclosure of company figures which, they said, lagged behind international standards.

Fund managers also complained about the lack of institutional investors and called on the authorities to take action to improve institutional investment.

Such a move would go some way to answering criticisms from some quarters that the exchange has no market-makers and is being manipulated by those who commit money for short-term gains.

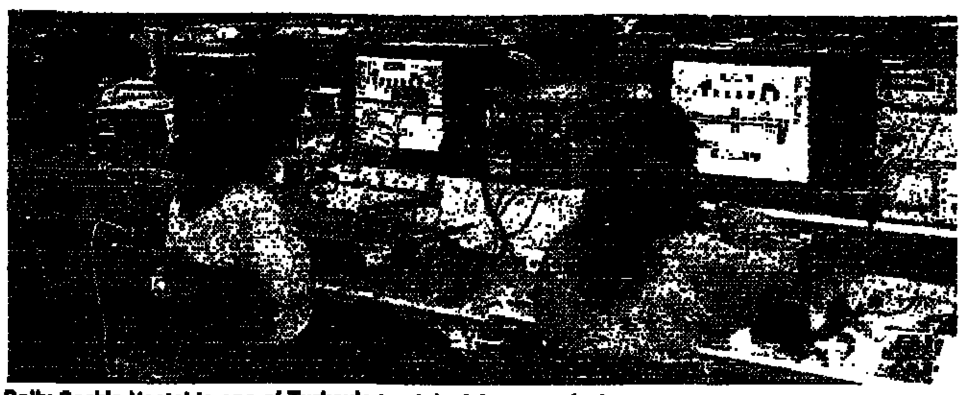
The exchange is looking at these problems. It intends to move to a new building but progress has proved slow, and it is earnestly pursuing negotiations with the Vancouver exchange on a computer-based system which would improve its efficiency and facility expansion.

It is also working on new requirements for capital adequacy for brokers. There is concern in the exchange that some brokers could be in trouble following the market downturn. It is estimated that the 10 top brokerage houses account for 70 per cent of trading – which in the recent market downturn leaves slim pickings for the remainder.

Nonetheless the market is intent on expanding its services. Officials are looking at forward and options markets, the introduction of investment instruments for gold and other precious metals and at expanding capital markets operations.

Computerisation is obviously a key to some of these ambitions but this will have to go hand in hand with developing the market's regulatory system and building up a bedrock of institutional investment.

Bob Vincent



Polly Peck's Vestel is one of Turkey's top television manufacturers — Picture Terry Kirk

Bob Vincent examines the electronics industry

Looking overseas for new business

TURKEY'S electronics industry is increasingly looking overseas for business. The industry, which was worth $2bn-plus last year, has been extending its tentacles overseas. As Mr Mr Cefi Kamhi, general co-ordinator at the Profilo conglomerate, put it: "Domestic demand is not enough for our ambitions."

Such a statement is an indication of how far the sector has come from the late 1960s when the government identified the need for an indigenous electronics industry. The foundations were largely laid through licensing deals with foreign companies which provided the know-how and materials for the assembly of a range of products.

Turkish companies and their foreign partners were thus able to launch the industry with the latest technology and without the burden of old investments. Turkey has also provided a source of relatively cheap labour, although costs are rising.

The foreign links, both commercial and technical, have been and in some cases still are integral to the growth of companies such as Polly Peck's Vestel, which is going through a tough period, Profilo and Koç which dominate the domestic goods side.

But the Turkish groups have ploughed money into improving production techniques and into local parts manufacture which is particularly strong in the high-growth white goods sector where Koç's Arçelik and Profilo dominate.

The leading Turkish electronic groups resent the fact that they are regarded as mere operators of screwdriver plants. Those in the industry now see things differently, pointing to the growing sophistication of their operations and the increasing amounts of money being spent on research and development.

Mr Kamhi, for one, maintains that his group imports no more than any other leading international manufacturer.

Mr Muvaffak Gözaydin, president of Koç's Bekoteknik, said they aimed for a mixture of local and imported parts which would give them quality at the right price so that they could more than hold their own in the domestic market and build up export markets which were increasingly important to maintaining economies of scale.

On the telecommunications side, the government has spurred rapid growth through the state monopoly of the Post Office and Telecommunications Organisation which has established joint ventures with Alcatel of France and Northern Telecom of Canada.

The size of the market is indicated by the fact that last year the PTT invested about $458m, but there is still a long way to go. The number of subscribers was lifted to 6.7m by the end of last year yet the number of lines per 100 citizens was still at a relatively low 13. Investment, therefore, should be set to continue apace, providing there are no government cutbacks.

One beneficiary will be Teletas, formerly a part of PTT which was floated on the stockmarket in 1987. Ninety per cent of its sales are to the PTT, but it is anxious to reduce this dependence, to protect itself against any spending cutbacks, and to this end is seeking to increase exports. Netas, a subsidiary of Northern Telecom which has developed a design capability, has been pushing up its exports.

The consumer side of electronics is, however, no stranger to exports. Last year, for example, exports of television sets jumped to 1.2m, a threefold increase on 1989. The white goods sector, dominated by Arçelik and Profilo, is estimated to have exported about 10 per cent of production last year.

Turkish companies are intent on building up their overseas markets although the domestic market on which they have a tight grip would be sufficient to have many salesmen jumping for joy.

They are sitting on a market with substantial potential which should provide a firm base for their export ambitions and they are protected by tariffs on finished goods which average about 40 per cent, although these are gradually coming down.

It is a large and young market to tap – Turkey's population is more than 57m, half of whom are under 20 – and the market is far from saturated. For example there were, according to one estimate, only 97 refrigerators and 172 television sets per 1,000 citizens in 1988; well below western standards.

The leading companies can exploit the market through networks of dealerships and can combat high interest rates demanded by banks with packages of their own, cheaper loans.

In their search for overseas markets, companies have been knocking on doors in countries far beyond those regarded as being in the captive areas, such as the Middle East and neighbouring countries. Western and eastern Europe and the US are targets.

Bekoteknik, part of the Koç group, is one of the top TV manufacturers, along with Vestel and Telra. Last year it doubled the number of units it turned out to 640,000, while exports to Europe increased to more than 266,000. The company, which produces under its own and other Koç brand names, manufactures and assembles Toshiba and Hitachi televisions and video and audio equipment. It also makes Casio cash registers.

Mr Gözaydin said the company was exporting to the Middle East, North Africa, the Soviet Union and Europe about 15 per cent of turnover, mainly TVs. Overall turnover this year should should be well over $400m.

He added that the company was continuing to build up sales in the European market. The US was another target, although it was a keenly competitive market, and the company was in talks there for the possible sale of 1m sets, which would provide the company with the volume, albeit at slimmer margins.

In addition, the company was building a TV plant in Algeria with a potential capacity of 500,000 sets.

Mr Gözaydin stressed that they were keen to win regular orders so they could plan investment and run their plants at full capacity.

The build-up of manufacturing would, he pointed out, have a knock-on effect on the indigenous parts manufacturers which also required volume in order to be competitive.

The company, he said, was stepping up money spent on research and development to about 2.5 per cent of sales: nevertheless this was well below the US average which he put at 8-10 per cent.

Profilo, with a web of companies producing telecoms equipment and white and brown goods, exports to well over 30 countries and has developed strong links with a range of foreign companies. These include AEG of Germany, Thomson Consumer Electronics of France, which takes in Telefunken and Saba brands, Singer of the US, Olivetti of Italy and Sony of Japan.

The company has built a large manufacturing complex at Cerkezkoy and continues to pump in money in the shape of all the latest technology, including robots and other computerised machines.

Last year it spent TL100bn modernising its white goods PEG Profilo plants, and Mr Kamhi said they were continuing to invest in new machinery and plant totalling another TL100bn.

Last year, Profilo produced 320,000 TV sets of which about 100,000 were exported, and this is set to rise.

Mr Farzad Kuchani, general manager at Profilo's Telra, said the group would have to export TVs to run their plants to capacity. Over 2½ years the company has invested TL150bn most of which has been completed.

He said the group had concentrated on the European Community market but since this market was getting tighter they were looking to the east European countries which the company regarded as an increasingly important market, and to the US.

The company has set up a factory in Poland through a long-established relationship there. This would produce TVs, audio and video products and cash registers and it expected to assemble some white goods there.

He added that the company and Thomson were looking at further ventures in eastern Europe.

The sector is thus setting itself ambitious goals, with the companies confident they can remain competitive in some tough markets. Doubtless they have achieved a great deal, not least in the quality of their products.

Some analysts point out, however, that inflation has shielded inefficiencies within the industry which, said one, has sought to drive up production while not making similar advances in efficiency.

In addition, Turkish companies may have to do battle in foreign markets against a background of continuing high inflation, higher wages costs and an increasingly competitive market overseas.

They must also be looking to the new government to pursue an economic policy which will keep buoyant that all-important domestic demand.

■ THE SEED INDUSTRY

Well established

TURKEY'S seed industry has established firm roots in the country, with the private side of the industry – nurtured by foreign companies – taking a growing slice of the market.

The increasing influence of the private operators arrived with a new emphasis on the agricultural sector which had tended to play second fiddle to the industrial build-up on which the Ozal administration had been concentrating.

In the early 1980s, the government began to open up the sector. A policy of liberalisation began in which the administration moved away from price supports for farmers and allowed more imports.

It also encouraged the introduction of new seeds. This was integral to the development of an efficient agriculture industry which was required to feed a growing population and which accounted for 18 per cent of exports in 1990.

The government then began to place increasing emphasis on the private sector which in 1985 accounted for only 1.5 per cent of total seed production. Foreign companies started to move in, seeking local partners. With them they brought the hybrid seeds, with corn and sunflower leading the way. These seeds enabled farmers to improve production and quality.

Until then, hybrid seeds were virtually unknown in Turkey, except for a few varieties which had been smuggled in through the "suitcase trade".

Foreign companies were attracted by the climate, relatively cheap labour and the sales potential in Turkey. Mr Alev Kutay, an agronomist and *sub-division manager, at Ciba-Geigy* in Izmir, said: "Things were tough when the gates were opened in the early 1980s" as the industry adapted to a new environment.

Until the advent of hybrids farmers had been using seeds they had saved from their crops so there was therefore a seemingly enormous potential for the foreign companies know-how, backed by their research and development resources.

There are now about 20 foreign companies operating in the country in collaboration with local enterprises. These include Ciba-Geigy, Pioneer, Sandoz, Interstate, Cargill and Dahlgreen. They are mainly US, French, Dutch and German concerns, and between 1985 and 1990 they have made considerable progress.

1986 was a landmark year with the creation of the Seed Industry Association, set up to establish a seed sector and represent the interests of the private companies. Since its inception it has grown rapidly in size and influence. It deals with issues such as registration, certification of seeds and production, and holds regular meetings with the Ministry of Agriculture.

In 1990 this organisation, whose members now account for the bulk of private sector production, accounted for just over 10 per cent of total seed production. There was an almost corresponding decline in state production.

He warns that after the initial rush and expansion some companies may be forced to withdraw

There are still private producers outside the industry association, but their production in 1990 amounted to only just over 1 per cent, mainly concentrated upon potato and vegetable seeds, according to the ministry's figures.

The government agencies are still dominant in areas such as cotton, rice, wheat, barley and chick peas. The industry association growers, however, have taken a commanding position in the *production of seeds for several* crops.

In 1990 they were responsible for 80 per cent of soya seed production, over 96 per cent of hybrid maize, 99 per cent of hybrid sunflower and nearly half the seed potatoes.

The private sector also grew the entire lentil seed production and more than 71 per cent of vegetable seed.

Mr Kemal Çetin of Dahlgren-Hayat in Izmir started his operation, of which he owns 49 per cent, in 1988. It produced 100 tons of sunflower seed last year and he is looking to raise this to 300 tons.

He sees the market continuing to expand but warns that after the initial rush some companies may be forced to withdraw. He predicts that the 40 or so now operating could even fall to 10.

Irrigation projects such as the massive South East Anatolia GAP which will irrigate an area of 170,000 hectares could further expand the private sector's market for all crop seeds. Although some seed growers believe that the ambitious project will not be all plain sailing.

Inflation is a problem for the producers, given that producing seeds is a lengthy process and therefore there is no quick return on investment. In the first year the seed is tested, in the second the parent line is increased and in the third the hybrid is produced and sold.

In addition, farmers can now afford to be more selective since there are so many varieties on the market – for example there are about 20 varieties of sunflower. This has led to increased competition. Hence the warning about a reduction in the number of companies in the private sector.

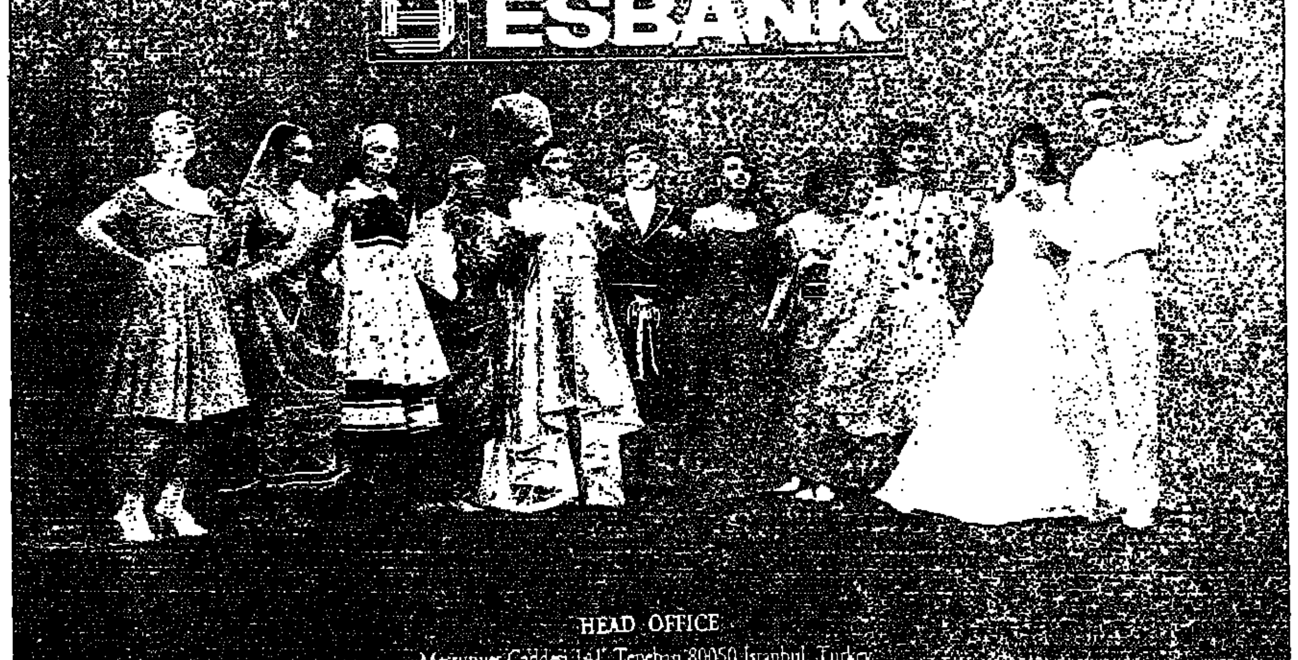
Mr Kutay at Ciba-Geigy, which specialises in corn seed used mainly for feed stuff, is bullish about the future. Three quarters of the operation's production is exported, mainly to the European Community.

In 1990 the company produced 1,000 tons of seed and this year it hopes to increase this to 1,400 tons.

Mr Kutay says the quality of Turkish seeds are acknowledged by its EC customers, although they have yet to be sold in many markets. Nevertheless Mr Kutay maintains that Turkey has the potential *to challenge the US seed* exporters to the EC.

"The average seed yield in Turkey is greater than in the US and EC." The erratic weather in the US was also hitting seed growers, he added. The US could, therefore, become an unreliable seed supplier, especially if predictions about the ozone effect were correct. He said that already US growers were having difficulty meeting some commitments because of unexpected weather conditions in the past three years.

Bob Vincent



Venezuela raises bauxite output by 170 per cent

By Joe Mann in Caracas

VENEZUELA'S production of bauxite - aluminium ore - nearly trebled this year and another large increase is predicted for 1992.

Mr Gabriel Medialdea, president of Bauxiven, the state-owned company that operates Venezuela's only bauxite mine, said that ore production for 1991 reached a record 2.1m tonnes, an increase of more than 170 per cent over 1990's output of 771,000 tonnes. And he predicted that production would rise to between 3.5m and 4m tonnes in 1992.

All of Bauxiven's output goes to Interalumina, a Venezuelan plant that produces alumina (aluminium oxide) for the country's two aluminium smelters.

Bauxite production in 1991 rose dramatically as the company learned to work more efficiently with provisional mining and ore transportation equipment. Further increases - to 3.5m tonnes or more - will be possible by June of next year once the company's main ore crusher (1,600 tonnes a year) and new systems for transporting and storing bauxite ore are in full operation, the Bauxiven president said.

When the 3.5m to 4m tonnes-a-year production level is reached, the government will decide whether to move toward a second-stage target of 6m tonnes a year.

During 1991 Bauxiven invested US$85m in its mining operations, located in a jungle region in south-east Venezuela. Investments for 1992 are projected at around $88m. It claims proven bauxite deposits of 200m tonnes at its mine site in Los Pijiguaos. Probable reserves at the site are estimated at 5bn tonnes.

● Bauxite exporters have been advised, by their international industry body, against increasing the price formula (in relation to the aluminium price) on which they will sell ore next year, writes Canute James in Kingston. The International Bauxite Association has recommended, however, a rise in the price coefficient for alumina. The association's recommendations are not binding on its members, which account for most of the world's bauxite production.

The IBA said at its headquarters in Jamaica that it was advising its members that the minimum price per tonne for base grade metallurgical bauxite sold in 1992 should be between 2 per cent and 2.5 per cent of the composite reference price for aluminium ingot. This is the same formula as it recommended for 1991 sales.

However, the IBA suggested that its members raise the price coefficients they will operate next year for alumina. It said the minimum price of metallurgical grade alumina sold in 1992 should be between 14.5 per cent and 16.5 per cent of the composite reference price for aluminium ingot.

The IBA's members are Australia (which recently announced that it is leaving the organisation next year), Ghana, Guinea, Guyana, India, Indonesia, Jamaica, Sierra Leone, Suriname and Yugoslavia. It says its members account for 88 per cent of the western world's bauxite production.

Farming fish in the middle of the Pacific

Fiji has one of the world's fastest-growing aquaculture sectors, writes John Madeley

IN A north west corner of Fiji the headman of an inland village called Rara is a happy man as he presides over a harvest ceremony with a difference. For the first time in Rara's history, the villagers are enjoying fish that has been farmed from their own village pond.

Six months ago a 250 square metre pond was dug in Rara to give the village its own fish farm. The 500 talipia fish that were then tipped into the pond as fry have now been harvested and are tipping the scales at about 150 grammes (5.5 ounces) each.

"The aim of the project was to provide income for the development of the village," says the headman as the villagers enjoy their talipia and relax after completing a second fishpond twice the size of the first.

Aquaculture, as the scientists call fish farming, is booming in Fiji, even though its 100 inhabited islands are surrounded by the warm waters of the South Pacific, which have traditionally yielded good fish catches.

But Fijians who live away from coastal areas often find it difficult to obtain fish. Lack of good roads to inland villages, lack of transport, plus a recent fall in sea catches, mean that many Fijians cannot always obtain the food that they regard as an important part of their diet.

Natural fertiliser from chicken huts enriches food supply

Until about five years ago, fish farming was little known in the islands. But the launch of a new project, the South Pacific Aquaculture Development Project, has resulted in Fiji aquaculture becoming one of the fastest growing in the world. The project, set up by the United Nations Food and Agriculture Organisation Office in Fiji and funded by Japanese government aid, has helped to develop over 500 fish farming ponds in inland villages in less than five years and currently has over 200 requests on its books.

When a village project is approved, the local office of the government's fisheries departments chooses a senior local person to be responsible for the new pond. It also provides villagers with feed and fry of talipia fish, from a hatchery on Fiji's largest island, Viti Levu.

Villagers dig the ponds themselves, often with the help of people in neighbouring villages. Some ponds have been dug with the assistance of US Peace Corps volunteers.

Pond sizes vary but 1,000 fry are typically placed in a pond of some 500 square metres, and the fish are harvested five or six months later when they weigh between 150 and 300 grammes each. This gives an overall yield of 300-600 kg per hectare of water. As the ponds can sustain two harvests a year, the annual yield per hectare is therefore between 600 kgs and 1,200 kgs.

"Local people have been very receptive to fish farming ideas," says the project manager Mr Hideyuki Tanaka, "and many now have a more regular supply of fish". In response to the growing demand for talipia fry the government is preparing to establish an additional talipia hatcher on Fiji's second largest island, Vanua Levu.

Villagers see their new supply both as a nutritious food and also as a way of raising income for local developments. Some are now trying to sell their fish to other villages and are also eyeing the tourist hotels.

Fish farm operators are finding that by using Chinese-style methods of integrating ponds with poultry they can reduce the need for outside inputs and make their ponds more profitable.

On the outskirts of Suva, the Montford Boys Town Residential College, which runs courses for orphaned teenagers, has developed over 20 ponds in the last two years and has virtually dispensed with outside inputs. Huts, housing either chickens or ducks, are strategically placed in the middle of the ponds and provide natural fertiliser to enrich the supply of food for the fish.

"We feed the chickens, the chickens feed the fish, and the fish feed us," says a college official, "it's a very profitable arrangement." More than eight tonnes of fish is now harvested from their ponds every three months and while most of this is for consumption at the college, officials are confident they can tap the commercial market.

The South Pacific Agriculture Development Project covers all the South Pacific islands and Mr Tanaka points to an increasing interest in fish farming, "particularly in outer islands".

Apart from subsistence agriculture, there are growing indications, he says, "that commercial aquaculture could be economically feasible in some countries due to an increase in purchasing power and fish prices in urban areas".

In a number of islands, giant clam culture has been developed with an eye to export markets and this, says Mr Tanaka, is "currently booming" with hatcheries set up in at least 10 countries. But exports have so far been limited and the hatcheries have yet to prove they can make a profit.

Placer pulls out of gold venture

By Robert Gibbens in Montreal

PLACER DOME, one of America's top gold producers, has decided against joint development of the rich Eskay Creek gold-silver property in north western British Columbia with the International Corona group.

Placer had to decide by Sunday whether it would put up C$240m for development of Eskay Creek to production, so doubling its interest from 23 per cent to 50 per cent.

Placer said 50 per cent of future cash flow from production would not be sufficient to repay the $240m, given the tonnage and grade, according to Peter Steen, the Corona president.

If Placer had taken up its option, it would have gone ahead with a full C$10m feasibility study and further development work on the orebody. However it had already pointed to potential difficulties in treating Eskay Creek ore.

Mr Steen said the Corona group was disappointed, though its former rival for control of Eskay Creek had "confirmed the economic viability" of the property. Corona wanted a 400 tonnes daily mining operation and Placer 750 tonnes. Corona would now go it alone with the feasibility study, estimating the capital cost of the mine at C$210m.

Eskay Creek is in mountainous country north of Stewart, BC. Geological reserves mainly in the 21B zone have been estimated at 4.3m tonnes containing 0.77 troy ounces of gold and nearly 30 ounces of silver per ton.

Later in a statement Placer said while the property was attractive and economic, "the deposit's tonnage would not sustain a mine that would satisfy its financial objective". Under the option agreement Placer would have found the full cost up to C$240m while receiving half the cash flow.

Corona has the right for 90 days to buy all Placer's interest in Eskay Creek for C$105m (£50m).

Committee criticises EC set-aside plan

By David Blackwell

THE EUROPEAN Commission's proposals under which about 15 per cent of Europe's cereal area would be set aside have come under fire from the UK House of Commons agriculture committee.

In its first report on commodity markets in the 1990s, published today, the committee highlights five elements of potential concern for UK farmers - the element of compulsion, the size of the area, the provision exempting small-sized farms, the limitations on compensation payments and the requirement that land set aside should be rotated.

The committee believes the commission's overall proposals, which link staged price cuts with per-hectare compensation payments, form the basis of a coherent cereals strategy for the 1990s. But it trusts "that the government will press for significant changes to the present set-aside proposals."

It points out that the details have been framed so as to favour small farms over large ones. This is not only bad economics, the committee says, but it discriminates against the UK, which has proportionately more large farms than other EC countries.

The provision that all farms over 16 hectares in area would have to set aside land would nullify its financial effect of taking 3.25m tonnes out of UK cereal production compared with only 750,000 tonnes of French production.

In the longer term, the committee concludes, "farmers' best chance of survival lies not in extensive protectionism but in achieving maximum efficiency within a new economic order in agricultural trade".

Brazil expects 16% bigger harvest next year

By Victoria Griffith in Sao Paulo

ANTONIO CABRERA, Brazil's minister of agriculture, has forecast a 16 per cent rise in the country's grain crop next year, thanks to a $400m federal programme that financed the purchase of fertilisers and other agricultural products.

The total crop, according to the minister, will total 65.9m tonnes, compared with 57.4m tonnes this year. Maize will be the star crop, he predicted, with a record output of 28.5m tonnes, up from 23m tonnes.

The expected increase is due to a rise in the total area planted, particurly in the central-south of the country. Brazil should also produce more soyabeans in 1992.

Mr Cabrera predicted a 19 per cent increase in soyabean output, from 2.1m to 2.6 million tonnes. The expectation was that better climatic conditions this year would outweigh the a reduction in the total area planted.

This year, a severe drought devastated the crop. Based on these predictions, Mr Cabrera said that Brazil would import far less grain this year, possibly not more than 1m tonnes of wheat, and 600,000 tonnes of rice.

Europe's nation of greengrocers

Montague Keen on Dutch ambitions in the UK vegetable market

AMBITIOUS PLANS to extend Holland's already substantial share of the lucrative UK fruit and vegetable market have been revealed by the Central Bureau of Dutch Horticultural Auctions (CBT).

On the eve of its 75th birthday and with turnover already bursting through the record 4bn guilder (£1.23bn) level early last month, the bureau estimates that the British can double their consumption of Dutch peppers and quadruple their purchases of Dutch leeks in the five years ending 1995. Even those twin mainstays of the salad trade, tomatoes and cucumbers, are targeted for UK sales increases ranging from 20 per cent to 50 per cent.

The Dutch have been adapting themselves rapidly to changing retail demand. The big chain stores are beginning to dominate conditions in the long-established free market auction system, where the first buyer to press the button and arrest the downward swing of the auction clock takes the lot.

A quarter of a century ago there were 100 of these grower-controlled marts. Now there only only 23, sustained by 22,000 producers. Although the decline looks set to continue, turnover is rising sharply. The largest single vegetable auction market, in the Westland, expects to sell 1.27bn guilders worth of produce by the end of the year.

Much of the trade buoyancy of the past two years is because of the enlargement of Germany and the liberalisation of the east European trade, as well as to stronger demand from the Mediterranean countries.

But while Germany continues to be the biggest external market, absorbing about four fifths of the auctions' total supply, it is the British market that now attracts the closest study.

This has less to do with the seemingly inexaustible appetite of the British consumer for vegetables produced in the still expanding acreage of Dutch greenhouses than with the role of the British UK supermarkets. The UK chains are no longer content to have their representatives clamped to two telephones while staring at auction clocks before buying whatever is on offer from groups of anonymous producers. Increasingly, they want an agreed and predictable price for a specified quantity to be delivered within a stated period. And they demand a quality level that the Dutch recognise as superior to that required by most of their other overseas clients, even the fastidious German market, which takes three-fifths of total exports.

The Dutch are meeting this challenge in two ways. One is by becoming ever more environmentally chaste. Although the organic production movement in the Netherlands still commands only about 3 per cent of the trade, the trend towards reduction in the use of agro-chemicals and nitrogenous and phosphatic fertilisers helps to accelerate the movement into more ecologically acceptable practices.

With little but their production expertise and disciplined marketing system to sustain them as Europe's chief exporters of fresh produce and flowers, the Dutch are determined to be two steps ahead of the opposition in setting quality standards no longer based exclusively on uniformity of size, richness of colour and evenness of texture, but in addition increasingly concerned with minimal use of artificial pesticides and maximum biological pest control techniques. This reflects not only state and EC measures to reduce air, water and soil pollutants throughout the vulnerable Low Countries, but also consumer requirements. Leading the way are the supermarkets' powerful buyers, wishing to offer their ecologically sensitive customers products that satisfy their perception of environmental purity and appear even more environmentally benign than the offerings of their competitors.

That helps to undermine the auction system, however. Big buyers want to determine the precise production conditions, and to talk directly to the growers. After months of argument the CBT has been setting up an organisation to enable producers to trade outside the auction system and give buyers the greater degree of price and supply stability they expect. Even within the auction system, a complex arrangement now enables advance orders for large quantities to be delivered, packaged for export to customers' individual requirements - including their own brand label - at precisely the shipping times and prices specified.

This should keep the industrious Dutch a step or two ahead of competitors.

WORLD COMMODITIES PRICES

MARKET REPORT

London's sterling robusta coffee market closed down yesterday, with little sign of any of the trade buying which had pushed the market up so sharply at the end of last week. "We hear some of the long holders in the January are very comfortable at these levels...we'll probably not know much more until January itself," one trader said. Both January and March closed well above what is seen as important support at £560 a tonne. On the LME three-month zinc bounced off support around $1,100 a tonne. The market came under early pressure from fund selling and liquidation which saw business down to $1,095 a tonne at one stage in the morning. Expected support on dips below $1,100 allowed the market to recover in thin trading. Three-month aluminium prices spent most of a quiet day underpinned by support around the $1,120-a-tonne level, after easing during the morning. The market is waiting to see the extent of today's rise in LME stocks. Some traders reckon they will reach 1m tonnes early next year. Three-month lead fell back below £300 a tonne. Traders said lack of recent trade buying interest coupled with firmer sterling against the dollar helped to undermine the recent steady trend.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.15-5.25q	-0.5
Brent Blend (dated)	$18.45-8.60	-0.55
Brent Blend (Feb)	$18.50-8.60	-.475
W.T.I. (1 pm est)	$18.80-9.85q	-0.5
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$199-201	-1
Gas Oil	$180-1	-4
Heavy Fuel Oil	$72-73	-1
Naphtha	$187-189	-5.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$359.65	+0.75
Silver (per troy oz)♣	398.6c	-1.5
Platinum (per troy oz)	$356.40	+0.15
Palladium (per troy oz)	$83.45	+0.20
Copper (US Producer)	101.8c	-0.7
Lead (US Producer)	37.37c	+0.37
Tin (Kuala Lumpur market)	14.69r	+0.03
Tin (New York)	254.0c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	106.34p	-3.69*
Sheep (dead weight)†	148.45p	-2.11*
Pigs (live weight)†	92.08p	+3.48*
London daily sugar (raw)	$227.0	
London daily sugar (white)	$272.2	
Tate and Lyle export price	£232.5	
Barley (English feed)	£126.5u	
Maize (US No. 3 yellow)	£147.75	+0.75
Wheat (US Dark Northern)	£101.0	
Rubber (Jan)♥	49.00p	-0.25
Rubber (Feb)♥	49.25p	-0.25
Rubber (KL RSS No 1 Jan)	215.0m	-0.5
Coconut oil (Philippines)§	$645.0z	+17.5
Palm Oil (Malaysian)§	$380.0u	
Copra (Philippines)§	$410.0	+5.0
Soyabeans (US)	£144.0	+1.0
Cotton "A" Index	61.95c	+0.30
Wooltops (64s Super)	417p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Feb t-Feb/Mar u-Jan/Mar y-Jan/Feb z-Dec/Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR - London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Mar	193.00	190.80	192.80	189.00
May	192.00	189.00	190.00	187.00
Aug	194.40	190.00	188.00	
Oct	192.00	190.00	188.00	
Dec	192.00		183.00	
Mar	187.00		183.00	
White	Close	Previous	High/Low	
Mar	274.9	272.5	275.0	272.5
May	275.3	272.5	275.0	273.1
Aug	279.7	276.9	279.0	276.5
Oct	262.2	259.4	259.0	

Turnover: Raw 491 (184)lots of 50 tonnes. White 604 (386)
Paris- White (FFr per tonne): Mar 1515.58, May 1529.24

CRUDE OIL - IPE			$/barrel	
	Latest	Previous	High/Low	
Jan	18.55	18.81	18.88	18.52
Feb	18.48	18.82	18.83	18.38
Mar	18.40	18.78	18.80	18.33
Apr	18.43	18.55	18.48	18.32
Jun	18.25	18.35	18.40	18.25
IPE Index	18.94	18.49		

Turnover 18000 (29659)

GAS OIL - IPE			$/tonne	
	Close	Previous	High/Low	
Jan	178.50	183.25	183.25	177.75
Feb	179.00	183.00	182.00	178.00
Mar	175.25	178.75	178.00	175.25
Apr	171.00	174.00	174.50	171.00
May	168.50	171.25	172.50	168.00
Jun	168.75	170.25	172.00	168.50
Aug	174.00		174.00	

Turnover 10214 (13495) lots of 100 tonnes

TEA

There was limited demand this week, reports the Tea Brokers' Association. Selective good liquoring Assams held values, but mediums were generally 5p easier, with brokens a weak feature again. A few brighter east Africans ruled firm, but others lost 4p to 8p, sometimes more. Ceylons and south Indians were quite well supported at firm rates. There was fair demand offshore with east Africans 3p to 6p down and central Africans little changed. The highest price realised this week was 182p for an Rwanda pt. Quotations: quality 160p/kg, medium 120p/kg, low medium 80p/kg.

COCOA - London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	758	750	748	
Mar	792	783	795	783
May	816	805	818	808
Jul	838	829	839	833
Sep	863	853	863	857
Dec	894	883	894	886
Mar	923	910	923	912
May	940	925	936	

Turnover: 2955 (11104) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec.13 989.90 (974.14) 10 day average for Dec.16 964.01 (959.82)

COFFEE - London FOX			$/tonne	
	Close	Previous	High/Low	
Jan	1028	1045	1043	1030
Mar	1002	1026	1026	1001
May	1008	1028	1030	1007
Jul	1016	1025	1027	1015
Sep	1021	1023	1025	1020

Turnover: 754 (3596) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec.13: Comp. daily 63.06 (61.33) 15 day average 64.65 (64.88)
Sterling close: January £571 , March £ 570

POTATOES - London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	117.8	117.30	118.0	117.5

Turnover 7 (50) lots of 20 tonnes.

SOYAMEAL - London FOX			£/tonne
	Close	Previous	High/Low
Apr	124.00	124.00	

Turnover 0 (75) lots of 20 tonnes.

FREIGHT - London FOX			$10/index point	
	Close	Previous	High/Low	
Jan	1568	1578	1570	1560
Feb	1570	1578	1570	
Apr	1598	1579	1575	1565
Jul	1370	1375	1370	
BFI	1543	1547		

Turnover 188 (180)

GRAINS - London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Jan	124.85	124.40	124.90	124.60
Mar	128.50	128.00	128.55	128.25
May	131.80	131.40	131.90	131.60
Sep	133.40	110.50	133.55	133.40
Barley	Close	Previous	High/Low	
Jan	118.90	118.75	119.00	118.90
Mar	122.30	122.05	122.40	122.30
May	124.40	124.10	124.25	
Sep	108.25		108.00	

Turnover: Wheat 387 (337), Barley 200 (210).
Turnover lots of 100 Tonnes.

PIGS - London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Feb	107.0	107.0	

Turnover 0 (58) lots of 3,250 kg

HGAB - London FOX				
	Close	Prev.	High	Low	Vol
Indx	128.78	129.79			

LONDON METAL EXCHANGE			(Prices supplied by Amalgamated Metal Trading)			
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 43,271 lots	
Cash	1096.5-7.5	1097-8	1097.5/1096.5	1096.5-7.5		
3 months	1121-2	1121-2	1125/1120.5	1121-1.5	1122.5-3.5	134,489 lots
Copper, Grade A (£ per tonne)					Total daily turnover 32,293 lots	
Cash	1187-7.5	1193-5	1187/1184	1183-4		
3 months	1212.5-3	1215-6	1215/1211	1210-1	1215-6	107,288 lots
Lead (£ per tonne)					Total daily turnover 3,906 lots	
Cash	285-5.5	290.5-1.5	285	285-5.5		
3 months	297-7.5	301.25-1.75	300/297	297-7.5	297.75-8	15,923 lots
Nickel ($ per tonne)					Total daily turnover 3,487 lots	
Cash	7100-10	7100-10		7086-90		
3 months	7165-70	7170-5	7175/7150	7153-5	7170-5	19,264 lots
Tin ($ per tonne)					Total daily turnover 1,078 lots	
Cash	5465-75	5500-10	5470	5465-70		
3 months	5525-30	5550-5	5550/5525	5525-30	5525-30	4,735 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 12,081 lots	
Cash	1155-7	1141-3	1141	1141-2		
3 months	1111-2	1108-9	1120/1095	1100-1	1119-20	41,233 lots

LME Closing £/$ rate:
SPOT: 1.8208 3 months: 1.7951 6 months: 1.7701 9 months: 1.7473

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (fine oz)	$ price	£ equivalent
Close	359.40-359.90	
Opening	360.00-360.40	
Morning fix	360.05	197.450
Afternoon fix	359.65	197.231
Day's high	360.70-361.50	
Day's low	359.20-359.50	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.24	6 months	3.84
2 months	4.16	12 months	3.78
3 months	3.93		

Silver fix	p/fine oz	US cts equiv
Spot	212.55	387.10
3 months	217.95	391.10
6 months	223.35	395.35
12 months	234.50	404.00

GOLD COINS (Prices supplied by Engelhard Metals)		
	$ price	£ equivalent
Krugerrand	359.75-360.75	197.25-197.75
Maple leaf	370.00-371.00	203.00-203.50
New Sovereign	87.75-88.75	48.00-48.50

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	Jun	Mar	Jun
1000	125	152	4	9
1100	50	81	26	35
1200	13	35	89	86
Copper (Grade A)	Calls		Puts	
2100	101	113	22	46
2200	44	63	63	93
2300	15	31	132	158
Coffee	Jan	Mar	Jan	Mar
500	71	73		4
550	22	37	1	18
600		15	29	46
Cocoa	Mar	May	Mar	May
750	60	87	18	21
775	45	71	28	30
800	32	57	40	41
Brent Crude	Feb	Mar	Feb	Mar
1850	65		47	
1900	34	41	89	
1950	20			

New York

GOLD 100 troy oz.; $/troy oz.				
	Latest	Previous	High/Low	
Dec	359.2	359.4	360.3	359.0
Feb	360.9	361.3	362.2	360.6
Apr	363.4	363.6	364.5	363.1
Jun	365.5	365.9	366.8	365.6
Aug	368.7	368.3	369.7	368.7
Dec	373.5	372.9	373.5	373.5

PLATINUM 50 troy oz; $/troy oz.				
	Latest	Previous	High/Low	
Jan	358.3	357.1	360.0	355.0
Apr	358.5	356.7	361.0	358.5
Jul	361.0	360.7	361.0	360.5
Oct	364.5	366.7	364.5	364.5

SILVER 5,000 troy oz; cents/troy oz.				
	Latest	Previous	High/Low	
Dec	382.0	383.5	385.0	382.0
Jan	382.0	384.5	382.0	382.0
Mar	386.0	387.5	389.0	385.5
Jul	394.0	394.4	396.0	392.0
Mar	408.5	408.9	408.5	408.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Latest	Previous	High/Low	
Dec	97.70	97.75	97.80	97.20
Jan	97.55	97.75	97.70	97.10
Feb	97.10	97.60	97.10	97.10
Mar	97.45	97.45	97.60	96.70
May	97.20	97.20	97.30	96.70
Jul	97.20	96.95	97.20	96.60

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Jan	19.78	20.05	19.98	19.65
Feb	19.72	20.05	19.99	19.62
Mar	19.65	19.95	19.90	19.58
Apr	19.67	19.89	19.80	19.58
May	19.58	19.83	19.68	19.55
Jul	19.60	19.73	19.68	19.52
Aug	19.54	19.70	19.62	19.50
Oct	19.45	19.68	19.55	19.50

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Jan	5670	5718	5725	5630
Feb	5760	5809	5825	5730
Mar	5700	5761	5770	5690
Apr	5525	5570	5575	5520
May	5340	5400	5400	5350
Jun	5265	5320	5320	5265
Sep	5450	5495	5490	5480
Oct	5550	5580	5590	5580

COCOA 10 tonnes;$/tonnes				
	Latest	Previous	High/Low	
Mar	1328	1310	1329	1316
May	1362	1346	1365	1354
Jul	1390	1376	1390	1384
Sep	1419	1403	1419	1411
Mar	1486	1468	1487	1486
May	1505	1490	0	0
Jul	1525	1513	0	0
Sep	1560	1534	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Latest	Previous	High/Low	
Mar	78.90	79.30	79.70	78.75
May	81.50	81.80	82.30	81.40
Jul	84.25	84.70	84.75	84.25
Sep	87.00	87.25	87.25	86.70
Dec	90.50	90.70	0	0
Mar	95.00	95.00	0	0
May	99.00	0	0	0

COTTON 50,000; cents/lbs				
	Latest	Previous	High/Low	
Mar	60.50	61.87	61.80	59.80
May	61.80	63.80	62.80	61.00
Jul	62.80	64.15	63.75	62.08
Dec	64.75	65.70	64.94	64.25

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Latest	Previous	High/Low	
Mar	8.62	8.61	8.82	8.63
May	8.70	8.53	8.72	8.58
Jul	8.65	8.52	8.66	8.55
Oct	8.59	8.47	8.60	8.60
Mar	8.50	8.42	0	0
May	8.47	8.39	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Latest	Previous	High/Low	
Jan	161.50	160.80	161.70	159.00
Mar	163.20	162.30	163.25	160.30
May	163.45	162.80	163.45	160.95
Jul	163.30	162.30	163.45	161.00
Sep	160.00	159.35	0	0
Nov	151.00	150.35	0	0
Jan	149.00	148.80	0	0
Mar	149.00	148.80	0	0
May	149.00	148.80	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Dec.16	Dec.13	mnth ago	yr ago
	1699.1	1602.4	1618.7	1718.4
DOW JONES (Base: Dec. 31 1974 = 100)				
	Dec.13	Dec.12	mnth ago	yr ago
Spot	113.11	113.31	114.22	123.64
Futures	120.27	119.73	122.06	128.23

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Latest	Previous	High/Low	
Jan	551/6	563/0	553/4	549/0
Mar	558/4	560/4	559/6	555/4
May	565/0	566/4	566/4	562/2
Jul	572/2	573/4	573/4	569/4
Aug	575/4	576/4	576/4	573/4
Sep	575/0	576/4	576/4	575/0
Nov	578/4	581/2	581/0	578/0
Mar	599/0	600/4	599/0	599/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Latest	Previous	High/Low	
Dec	19.14	19.13	19.18	19.02
Jan	19.20	19.21	19.27	19.08
May	19.79	19.79	19.86	19.68
Sep	20.35	20.30	0	0
Oct	20.40	20.35	0	0
Dec	20.65	20.65	20.65	20.55
Jan	20.80	20.85	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Latest	Previous	High/Low	
Jan	169.7	170.2	170.1	168.8
Aug	172.9	173.2	173.0	172.8
Dec	187.5	188.3	187.5	187.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Latest	Previous	High/Low	
Dec	247/6	248/4	247/6	246/0
Mar	252/6	252/6	253/2	251/2
May	259/0	258/4	259/2	258/6
Jul	263/6	263/4	264/2	262/2
Sep	259/6	259/0	261/0	259/0
Dec	265/4	256/4	257/2	255/0
Mar	262/0	262/4	263/6	261/6

WHEAT 5,000 bu min; cents/60lb-bushel				
	Latest	Previous	High/Low	
Mar	398/2	382/2	398/6	381/0
May	365/4	359/6	365/6	359/4
Jul	334/6	332/2	335/0	330/4
Dec	350/0	348/4	350/0	347/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Latest	Previous	High/Low	
Feb	71.75	72.80	72.70	71.62
Apr	72.82	73.62	73.80	72.70
Jun	69.12	69.72	69.65	69.00
Aug	67.55	68.00	68.25	67.50
Oct	68.02	68.70	68.60	67.90
Dec	68.90	69.65	69.30	68.90

LIVE HOGS 40,000 lb; cents/lbs				
	Latest	Previous	High/Low	
Dec	41.60	41.82	41.72	41.42
Feb	41.37	41.62	41.62	41.25
Apr	39.37	39.65	39.66	39.35
Jun	44.85	44.96	44.95	44.65
Oct	40.50	40.55	40.60	40.40
Dec	41.70	41.65	41.90	41.65

PORK BELLIES 40,000 lbs; cents/lb				
	Latest	Previous	High/Low	
Mar	39.10	39.45	39.50	38.90
May	40.30	40.82	40.70	39.90

LONDON STOCK EXCHANGE

Equities slip lower in troubled session

By Terry Byland, UK Stock Market Editor

A SLUGGISH UK stock market was restrained further yesterday by a delayed opening of the Seaq electronic trading system and widespread problems with commuter rail networks following renewed terrorist activity in London. Although there were a number of special features in equities, overall turnover was poor and the market made little response to economic data on domestic retail sales and industrial output.

Staffs at securities firms had a hard struggle to reach their offices yesterday morning after London's main railway stations were closed temporarily following a bomb explosion close to Clapham Junction, the important rail junction.

Because of these problems, it was agreed to delay the official opening of the stock market until 9.00am. But there were fresh problems for traders, when the Stock Exchange building was closed because of a fire bomb warning, causing some disruption to company news reporting systems.

When trading did get under way, market volume was very thin and share prices soon began to sag as an early premium on the futures contract was trimmed. The FT-SE was quickly down by 11.6 to 2,440.0. Share prices steadied later without showing much enthusiasm for the news that domestic retail sales had gained 1.2 per cent in November while manufacturing output had fallen by 0.5 per cent in October. The UK Treasury said that these figures were consistent with its recovery forecast, but the stock market finally took a somewhat negative view of the statistics.

At mid-session, the stock market was within four Footsie points of its overnight level but, with the institutions still remaining on the sidelines of the UK market, there was no strength in the rally. The London market then resumed its downward drift as Wall Street made a slow response to the latest statistics on the US economy. In spite of a gain of 14 Dow points on Wall Street in UK hours, the FT-SE Index closed down 10.8 at 2,440.8.

The day's share volume of 358.7m through the Seaq electronic network was poor by average standards and extremely thin by comparison with the 770.4m traded on Friday. Yesterday's specific problems masked the slowdown in institutional business as the market moves towards the end of the calendar year, which also marks the end of the twelve month trading period for most fund managers.

Some optimists maintained that the institutions will indulge themselves in some window-dressing operations before the Christmas break. However, other analysts believed that the fund managers, after a fairly successful year in UK equities, are now content to leave their new investment money in cash until the new year.

Traders said that the mood improved slightly at mid-session when sterling edged higher following the retail sales announcement. But the pound later lost its shine and by the close was showing little change from Friday night's final quotations.

The blue chip internationals improved with sterling but then followed its retreat, and were finally little changed on the session. Store groups, still nervous regarding Christmas prospects, were mostly easier while the financial sector could make little recovery from the uncertain trends of recent sessions.

Account Dealing Dates

First Dealings:	Dec 9	Dec 30	Jan 13
Option Declarations:	Dec 23	Jan 9	Jan 23
Last Dealings:	Dec 27	Jan 10	Jan 24
Account Day:	Jan 6	Jan 20	Feb 3

*New-time dealings may take place from 8.30 am two business days earlier.

Clouds over Reckitt

FOOD AND healthcare group Reckitt & Colman fell 21 to 613p after two securities houses cut their forecasts for forthcoming profits.

There was strong speculation among traders and analysts that Cazenove, which is broker to the company, had reduced its current year estimate by £11m to £259m, well below the range of predictions. Cazenove, which rarely comments on market perceptions, made no exception to its policy yesterday.

The other downgrading came from Hoare Govett, which had already lowered its estimates several weeks ago. The house came down to £255m from £265m after forecasting £272m in August. Hoare's figure for 1992 has been pared by £20m to £285m.

Hoare moved its stance on the stock from hold to overvalued, but said the company's fundamentals were sound. Mr James Culverwell of Hoare said the cut was prompted by continuing weakness in Reckitt's big markets, especially North America, Australia and Brazil, but he added that he was not turning aggressive seller because: "If Reckitt is finding things tough at the moment, other companies are finding it tougher."

Rolls-Royce busy

Enthusiasm over a large order for Rolls-Royce was countered by bearish profit forecasts from at least two analysts and the shares saw good two-way business before ending a net 3 off at 125p on 6.1m shares traded.

The good news was that the engine manufacturer had gained a United Parcel Service contract, worth up to $900m (£500m) to provide its RB211-535 engines for twenty 757 aircraft. There had been hints of this in the market on Friday but the shares might have been expected to improve on the hard announcement. They were held back by profit forecast cuts from Strauss Turnbull and, more significantly, Hoare Govett, broker to the company.

Strauss brought its estimate for this year down by £15m to £55m, at the bottom of the range of analysts' expectations. It cut its 1992 figure by £10m to £105m. Mr Nick Cunningham of Strauss had already been recommending to clients that they sell the shares, and in a note published yesterday he said "the rating is far too high and the yield on the uncovered (even when cut) dividend does not reflect the risk".

Hoare Govett's engineering analyst Mr Mike Tampin was not available for comment yesterday, but he was believed to have brought back his forecasts for this year and 1992 to £80m and £110m. Marketmakers said Hoare was offering stock throughout the day.

BT 'new' weak

The marginal uptick in BT "new" shares last Friday proved a short-lived affair, the stock slipping 2½ to 124¾p amid persistent small selling emanating from domestic sources. Turnover in the "new" was 5.3m shares. The partly-paid shares were sold to private investors at 110p apiece with institutional investors paying 125p a share.

It was pointed out by telecoms specialists that the majority of the selling was UK-sourced, with most of the European, US and Japanese institutional buyers still firm holders of the stock.

Disappointed equity salesmen also pointed out that the market was bracing itself for a flood of selling pressure from small investors scheduled to receive their share certificates tomorrow. Other factors said to be holding BT "new" back include the stock going ex the interim dividend on January 13, and the next move by Oftel, which is expected to publish its consultative document towards the end of next month.

BT "old" lost 4 to 326¼p, although turnover in this category of the stock was an exceptionally thin 2.9m shares.

C and W bought

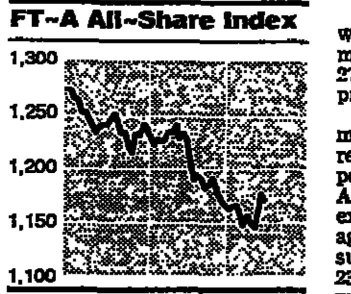
Cable and Wireless shares followed last week's near 8 per cent rise with another strong performance as the Sunday press highlighted recent rumours that AT&T, of the US, may take a stake in Mercury, C and W's telecommunications subsidiary.

The weekend press also followed up stories that C and W could well be considering a flotation of Mercury in a move similar to that adopted by Racal when it hived off a 20 per cent stake in its hugely successful Vodafone cellular phones business.

C and W ended a busy session 10 higher at 585p, with turnover totalling a much larger than usual 3m shares. The stock reached a peak of 611p in mid-1989 and fell just short of that level in September this year.

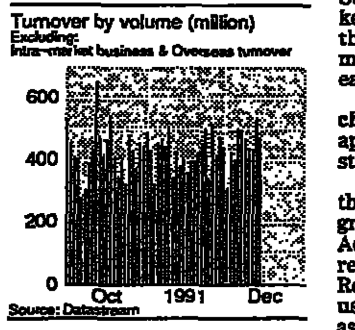
Lloyds left the other high street banks trailing behind, the shares moving ahead 5 to 376p on 1.3m traded after suggestions that Cazenove, the stockbroker, had given the stock a big push. Specialists said Lloyds was benefiting from its strong balance sheet and dividend profile.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business & Overseas turnover



Source: Datastream

NatWest, on the other hand, was given a rough ride by the market, the shares dipping 7 to 273p on 1.9m after weekend press comment.

Worries about the extent of mortgage indemnity losses returned to depress the composite insurers. Royal and Sun Alliance, with the biggest exposure to the market, were again under heavy selling pressure. The former lost 11 to 237p, easily the lowest level for more than five years, while Sun Alliance, where the market is bracing itself for news of the company's exposure to mortgage indemnity losses, eased 5 to 293p.

News about SmithKline Beecham's anti-arthritis drug appeared to be good but the stock fell 18 to 835p.

SmithKline said yesterday that a meeting by the advisory group of the US Food and Drug Administration on Friday had recommended that the drug, Relifen, should be approved for use in the US. It said that, aside from one or two "issues on the final labelling", it foresaw no problems.

Relief following a debate in the US left Glaxo 7 up at 810p on US buying. There had been concern that the debate, on bronchodilators for treating asthma, might lead to increased caution over the use of two of Glaxo's asthma treatments.

Business services conglomerate BET tumbled 14 to 132p in late trading. There was talk that one securities house was preparing to reduce its profits forecast.

The round of forecast cuts for BTR, begun at the end of last week by securities house James Capel, continued yesterday and the shares shed 3 to 381p.

Volatile Inchcape fell 13 to 386p on news that the European Commission was reviewing plans of Inchcape Overseas to take over the motor company of Tozer Kemsley & Millbourn (Holdings).

Lasmo's attempt to win control of Ultramar prompted plenty of market activity, with the odds shifting slightly in favour of the latter, according to marketmakers, who lifted the Lasmo stock price and lowered that of Ultramar. The latter dipped 4 to 252p, the first time the shares have closed below those of Lasmo, up 4 yesterday at 257p, since the bid was launched on October 17.

GEC rocketed to the top of the list of the market's most heavily traded stocks after two trades of 9m and 8.4m shares recorded only minutes before the official close, both at 184p a share, some 10p below the ruling market price for the stock.

The two deals were thought to have represented bed and breakfast, or tax-related, transactions, the other half of which are expected to be recorded on the Seaq ticker this morning.

GEC eased to 193½p, having made strong progress over the past week or so in the wake of buy recommendations from such powerful broking houses as Warburg, BZW and Smith New Court.

Sage Holdings jumped 21 to 341p after the stock's inclusion in the FT-Actuaries indices, a move which was said to have alerted the FTA tracking funds.

Racal Electronics eased 2 to 49p on turnover of 6.8m – making the stock the fourth-heaviest traded in the market – as the majority of the weekend press recommended Racal holders to reject the offer from Williams, which closes on Sunday.

Electronic Data, with preliminary figures expected tomorrow, advanced 15 to 267p.

Reed International was a strong performer, bouncing 9 to 496p after being hit by bearish stories last week.

Profit-taking left Carlton Communications down 7 at 470p ahead of an "upbeat" presentation to institutional investors hosted by Hoare Govett.

MARKET REPORTERS:
Peter John,
Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 22.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (20). BRITISH FUNDS (3) Treas. 2pc IL 1992, Tr. 3pc 1992, Tr. 8¾pc 1996, OTHER FIXED INTEREST (1) Utd. Mexico 16½pc Ln. 2008, BREWERS & DISTILLERS (1) Greenalls, ELECTRICALS (2) Dist. Data Processing, Sage, ENGINEERING GENERAL (2) Prospect Inds., Richardson Westgarth, Whessoe, FOOD RETAILING (1) Park Food, HEALTH & HOUSEHOLD (1) Amersham, INSURANCE COMPOSITE (1) FBD, OIL & GAS (2) North Sea Assets, Ramco Oil, PACKAGING, PAPER & PRINTING (1) De La Rue, TEXTILES (1) Sirdar, TRANSPORT (2) Brit. Airway 9¾pc Cv., Craig Shipping.
NEW LOWS (53). CANADIANS (2) Nova Corp. of Alberta, Rio Algom, BUILDING MATERIALS (1) Grafton, CONGLOMERATES (1) Melville, CONTRACTING & CONSTRUCTION (4) Birse, Mowlem (J), NSM, Prowting, ELECTRICALS (1) Ericsson (LM), ELECTRONICS (2) Pressac, Sema, ENGINEERING AEROSPACE (1) Dowty, ENGINEERING GENERAL (2) Dover, Silverlines, FOOD MANUFACTURING (2) Daniels (S), [illegible], HOTELS & LEISURE (2) [illegible], INSURANCE BROKERS (3) [illegible], INSURANCE COMPOSITE [illegible], Royal Insce, INVESTMENT TRUSTS [illegible], METAL & METAL FORMING [illegible] Ln. 2000-1, Cohen (A), OIL & GAS (4) Brabant, Globe Petm., Norsk Hydro, Triton Europe, OTHER FINANCIAL (3) Gerrard & Natl., Mediterranean Fd., Rolinco, PACKAGING, PAPER & PRINTING (5) Buhrmann-Tetterode, Continuous Stationery, NMC, Do. 7¾pc Pf., Waverley Cameron, PROPERTY (8) Anglo St. James, Derwent Valley, Hammerson A, London Securities 8¾pc Pf., Palmerston, Rosehaugh, Trencherwood, Wood (J D), STORES (1) Colorvision, TEXTILES (1) Alexandra Workwear, MINES (3) Buffels, Greenwich Res, Plateau Mining.

FINANCIAL TIMES STOCK INDICES

	Dec 16	Dec 13	Dec 12	Dec 11	Dec 10	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	87.34	87.38	87.05	86.97	86.81	82.87	87.94 (18/9)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	97.49	97.39	97.12	97.00	96.76	90.93	97.49 (16/12)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1855.4	1863.9	1848.8	1809.4	1819.7	1690.2	2108.3 (2/9)	1606.3 (16/1)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	152.1	152.1	160.3	184.3	169.7	140.1	222.8 (11/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2440.8	2451.6	2423.3	2380.2	2392.0	2157.9	2679.6 (2/9)	2054.8 (16/1)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1105.57	1106.13	1091.45	1082.86	1086.32	-	1196.60 (3/9)	938.62 (16/1)	1196.60 (3/9/91)	938.62 (16/1/91)
Ord. Div. Yield	4.99	4.96	5.00	5.08	5.06	5.67				
Earning Yld % (full)	7.50	7.43	7.49	7.61	7.56	11.84				
P/E Ratio (Net)	16.75	16.93	16.78	16.52	16.58	10.20				
SEAQ Bargains 4.45pm	21,064	27,924	22,819	20,881	22,235	25,305				
Equity Turnover (£m)	-	858.58	1113.54	859.46	867.74	630.26				
Equity Bargains	-	26,924	22,235	20,628	21,808	26,786				
Shares Traded (mil)	-	482.9	533.1	438.9	444.5	314.7				

Ordinary Share Index, Hourly changes — Day's High 1860.5, Day's Low 1852.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1858.9	1853.0	1855.3	1856.5	1856.2	1857.5	1857.6	1856.9	1854.4

FT-SE 100, Hourly changes — Day's High 2447.7, Day's Low 2440.0

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2446.0	2440.0	2444.5	2443.7	2444.1	2447.2	2446.7	2446.1	2441.9

FT-SE Eurotrack 200, Hourly changes — Day's High 1106.69, Day's Low 1104.33

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1106.02	1105.57	1106.42	1105.83	1105.56	1105.64	1105.74

GILT EDGED ACTIVITY

Indices*	Dec 13	Dec 12
Gilt Edged Bargains	91.3	90.8
5-Day average	83.8	81.5

*SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

[illegible]

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

DERIVATIVES markets were traded briskly yesterday as dealers took a second look at Friday's closing levels. The level of the December contract on the FT-SE Index, in particular, came in for revision, writes our financial staff.

The December contract opened with a premium of about 14 against cash. The contract immediately attracted sellers, who were convinced that it could not sustain such a level in present conditions.

A number of short positions were uncovered but the premium was trimmed back as the contract dipped to around 2,447. Traders commented that this was a more sustainable level. There was a significant recovery in late dealings but dealers stressed that, with the market disturbed by renewed terrorist activity in London, volume in derivatives was poor yesterday.

Turn over in traded options held up fairly well, with 24,093 contracts dealt compared with 25,757 in the previous session. The FT-SE contract accounted for only 7,397 contracts, however, against 9,914.

Among individual share options, Asda topped the list with 6,442 contracts traded while, in second and third place, Glaxo (2,295) and Hanson (1,071) attracted the attention of leading houses.

LONDON SHARE SERVICE

BRITISH FUNDS

Notes	Price £	+ or -	1991 high	1991 low	Yield Int.
"Shorts" (Lives up to Five Years)					
12¾pc 1992‡‡	100¼xd	+1/32	101½	100 5/16	12.72
10pc 1992	99⅞	+1/16	100 1/16	97	10.01
2pc IL 1992‡‡	134⅝	+1/16	134⅝	125	1.97
8pc 1992 ‡‡	99	—	99	95	8.08
10½pc Cv 1992‡‡	100	—	100	98½	10.49
3pc 1992	97	+1/32	97	91	3.07
Exch 12¼pc 1992	101	—	102	100⅝	12.08
13½pc 1992	102	—	104¼	102	13.18
Treas 8¾pc 1993	98⅜	—	98⅜	94	8.39
10pc 1993‡‡	100⅜	—	100¾	97	9.95
12½pc 1993‡‡	103 xd	—	104¾	102	12.03
Funding 6pc 1993‡‡	95	—	95	89⅝	6.30
Treas 13¾pc 1993‡‡	108 xd	+1/16	108	105⅝	12.57
8½pc 1994	97⅞	+1/16	97⅞	92	8.68
14½pc 1994‡‡	109	—	111⅝	108	13.29
Exch 13½pc 1994	107	+1/32	109	105	12.63
Treas. 10pc Ln. 1994‡‡	100	+1/16	101	96	9.92
Exch 12½pc 1994	106¼	+1/16	107¼	103⅜	11.78
Treas 9pc 1994‡‡	98	+1/16	98	93¼	9.14
12pc 1995	105	+1/32	106	102	11.34
Exch 3pc Gas 90–95	88½	—	89	82¼	3.39
10¼pc 1995	101 xd	—	102	96	10.09
Treas 12¾pc 1995‡‡	109	−1/32	110	105	11.65
14pc 1996	113 xd	+1/8	114	109	12.36
9pc 1992–96‡‡	98	−1/32	99	92	9.11
15¼pc 1996‡‡	118	−1/16	119	115	12.88
Exch 13¼pc 1996‡‡	111	−1/16	112	108	11.85
Conversion 10pc 1996	101	−1/16	101	95	9.87
Five to Fifteen Years					
Treas 13¼pc 1997‡‡	113¼xd	+1/32	114	108	11.78
Exch 10½pc 1997	103	−1/16	103	97¼	10.18
Treas 8¾pc 1997‡‡	98	−1/16	98	89	9.09
Exch 15pc 1997	121	−1/16	123	117	12.31
9¾pc 1998	100 xd	−1/16	100	93	9.71
Treas 6¾pc 1995–98‡‡	88	−1/16	88	80⅝	7.68
15½pc '98‡‡	127½	−1/16	128⅝	121¾	12.16

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

APPOINTMENTS

Changes in train at Orient-Express

With the impending departure of three top executives at ORIENT-EXPRESS Hotels, the trains-to-hotels group is filling the gaps in a move that may herald a restructuring of its leisure interests.

Hermann Jenny, 55, who has been president for the past three years, recently announced his resignation, as did two other key executives. The flamboyant James Sherwood, chairman of Orient-Express and president of Sea Containers – which has a 42 per cent shareholding in Orient-Express – will now be playing a greater role in the daily management of the business, Orient-Express says.

The company contends that the senior departures were "coincidental", although analysts suggest they may represent the prelude to a reorganisation, masterminded by Sherwood, of the currently complicated structure of leisure operations spread between Orient-Express and Sea Containers.

The 62-year-old Natale Rusconi, general manager of the Hotel Cipriani in Venice, will take over as president. Rusconi, who holds a doctorate in Latin literature, will stay on at the Cipriani which he has managed since 1977. The hotel is owned by Sea Containers but operated and managed by Orient-Express.

Jean-Paul Foerster becomes vice-president hotel operations, following the resignation of Colin Bather. He comes from the Quinta do Lago Hotel in the Algarve, where he has been since 1987. Valerie Le Moignan, who is British, joins in February from Westin Hotels and Resorts as sales and marketing director. Her predecessor, David Ballard, took the job for 2½ years, and is now returning to retirement at 59.

Separately, David Jones becomes director of retailing, after a career spent almost entirely with Garrard/Mappin & Webb. One of his tasks will be to fashion a new collection for the Eastern & Oriental Express train, which will run from Bangkok to Singapore through Malaysia from the end of next year.

■ David Varney has been appointed to the board of SHELL UK and is to become managing director responsible for downstream activities, which include oil marketing, distribution, supply, refining and trading.

Varney, 46, was formerly head of marketing, branding and product development for Shell International Petroleum. He joined Shell in 1968 as a *personnel assistant, and* subsequently held several overseas positions.

In 1982, he became trading manager for Shell UK Oil and later transferred to Shell International Petroleum which included three years as managing director of AB Svenska Shell.

Varney succeeds Roy Reynolds who is retiring.

■ John Callaghan is appointed a director of FYFFES.
■ John Bamsey is appointed md of Initial UK, part of BET.
■ Alan Pontin is appointed md of DRINKWATER SABEY, part of Attwood.
■ Jeremy Lamb is appointed md of CASE UK sales and marketing operation.
■ HIGHWAY VEHICLE LEASING has appointed Don MacLeod director of finance and Bob Cumming director of computer systems.
■ Bill Price, former md of Williams Lea, is appointed HMSO's head of print sales.
■ Paul Minter is promoted to md of TRION, the UK-based European hq of Trion Inc.
■ Alan Curtis is promoted to md product supply of ROVER.
■ Peter McTague is moving from Comet to become md of NORTHERN ELECTRIC Retail.
■ John Edwards is moving from John Laing to become finance director of SPRING RAM.
■ Malcolm Aitken is moving from Pegler to become md of TRIANCO REDFYRE. Graham Wood becomes chairman.
■ Doug Thomson is appointed director and general manager of McDONNELL DOUGLAS Information Systems International, the newly consolidated UK and European operation.
■ Graham Tayler is appointed commercial director of FRIENDLY HOTELS.

Marketing on BA board

Robert Ayling has joined the board of BRITISH AIRWAYS.

Ayling's appointment comes exactly three months after his promotion to marketing director from company secretary and legal director. He replaced Liam Strong who, in a highly publicised move, became chief executive of retail group Sears.

Strong, who was only with BA for two years, was not on the board, though BA says that Ayling's appointment strengthens the board and "firmly establishes the marketing and operations function".

A solicitor by profession, Ayling, 45, joined BA in 1985 as legal director. In 1988, after privatisation, he took on the additional role of human resources director.

Before joining BA, Ayling was an under-secretary at the Department of Trade and was responsible for a Parliamentary Bill which paved the way for BA's privatisation.

He was briefly seconded to the shipping industry in the mid-1970s.

In 1968, he joined the specialist aviation, shipping and insurance law firm of Elborne Mitchell & Co, becoming its youngest equity partner at the age of 24.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1991 high	low	Mkt Cap £m	Yld Gr's
Abbott Labs	32⅝xd	−1/16	34⅝	20⅞	13,874	1.7
♥Allegheny & W	248p	—	385p	218p	128.9	6.8
Amdahl	725pxd	—	10⅛	667p	804.7	0.8
Amer Cyanamid	31⅛	—	42⅛	25¾	2,912	2.7
Amer Express	10¼xd	—	17⅝	9⅞	4,821	5.5
Amer T & T	20⅞xd	+1/16	24½	15¼	27,248	3.5
Ameritech	35⅛	—	36⅞	32½	16,489	5.4
BankAmerica	19⅝xd	+¼	26⅝	12⅞	4,171	3.5
Bankers NY	35⅛xd	+3/16	38	20	2,488	7.8
Bell Atlantic	26¼xd	—	30½	24¼	10,323	5.4
BellSouth	27⅞	—	31¼	25	13,278	5.7
♥Bethlehem Steel	8½xd	−⅛	11¼	8⅝	485.1	3.5
Bowater	1077p	—	1535p	1046p	380.9	6.3
CPC	47⅝xd	−⅛	54	37	3,599	2.4
California Engy	764p	−52	930p	420p	139.1	–
Campbell Soup	43⅛xd	—	50	28¼	5,412	1.9
Chase Manhattan	8⅝	+½	12⅞	5⅝	1,172	8.0
Chrysler	6⅜xd	+⅛	9¼	5½	1,809	5.3
Citicorp	5½xd	—	10⅝	5⅝	1,588	–
Colgate-Palm	25⅛xd	+½	26⅝	21	3,808	2.4
Cont'l Bank	480p	—	920p	438p	473.9	7.2
Dana	14⅝xd	−1/16	21⅝	13	588.3	6.3
Data General	822p	—	1202p	203p	228.8	–
Dial	22⅛xd	−3/16	25⅝	12⅞	998.7	3.5
Dun & Brad	27⅞	—	29⅝	20¾	4,976	4.4
Eaton	32	—	40	24⅛	1,181	3.8
Echlin	8⅛xd	+3/16	8½	5½	342.1	6.4
FPL	19⅜xd	−⅛	20⅛	14	3,284	7.0
Fluor	21¼xd	+1	30	17	1,729	1.1
Ford Motor	14⅛xd	+⅜	23¼	13	6,686	4.0
Gen Elect	37⅛xd	+⅝	40	28	32,290	3.1
♥General Host	391p	−15	506p	270p	–	5.1
Gillette	28xd	−7/16	45¼	20⅞	6,605	1.3
Hasbro	20⅞	+⅜	22⅞	794p	1,102	0.7
Honeywell	32⅛xd	+¾	38½	21¼	2,261	2.9
Houston Inds	23½	—	23½	17⅞	3,029	7.1
IBM	48¼xd	−⅝	72	46	27,895	5.6
Ingersoll-Rand	24¼xd	+1/16	32½	18	1,257	3.1
Lockheed	24xd	—	28⅛	16⅝	1,537	4.5
Lowe's	1586p	—	2153p	1245p	548.4	2.1
Man Hanover ♦	12⅞xd	+¼	18⅞	9½	979.1	14.3
Merrill Lynch	28⅜xd	+⅜	32⅞	10	2,938	2.0
Morgan (JP)	34⅜xd	+⅝	38¼	21	6,482	3.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MISCELLANEOUS - Cont.

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

	Notes	Price	+or-	1991 high	low	Mkt Cap£m	Yld Gr's	P/E
‡‡Ivernia West I£		48	+1	61	30	15.2	–	
‡‡Kells Mins I£		40	—	46	33	0.87	–	
♣Kenmare		6	+½	25	5½	5.76	–	
‡‡Navan Res I£	n	16	—	20	15	0.87	–	
Northgate Expl C$	s	45¾	—	99	45¾	5.77	–	
North West Expl A$		8	—	16	5	2.82	–	
Oryx Gold $		166	–17	188	82	–	–	
‡‡Ovoca Gold I£		11	+1	23	10	0.77	–	
Pleateau		12½	–1½	44	12½	2.34	–	
■RTZ		493	–7	605	404	4,915	5.3	
♥Thorco Res		4⅞	—	11	3¼	–	–	
♣Vizcaya		2½	+½	10	2	1.34	–	
♥Western & Pac C$		24	—	162	19½	13.2	–	
♣Young Grp		106	—	133	106	9.90	6.5	

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- \- Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1990.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1989-90.
P Figures based on prospectus or other official estimates for 1991
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1150 a year for each security shown, subject to the Editor's discretion

London Share Prices

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To obtain your free share Code Booklet ring (071 925-2128)

FT MANAGED FUNDS SERVICE

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AUTHORISED UNIT TRUSTS

M & G Securities (0915)H

Three Quays, Tower Hill, EC3R 6BQ.
Cust Services 071-626 4588 Unit Dealing 0245 266266

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Amer & General	5	262.56	262.8	277.9	+1.3	0.85
(Accum Units)	5	322.01	322.3	340.8	+1.5	0.85
Amer Recovery	5	246.13	246.2xd	260.4	+0.9	0.65
(Accum Units)	5	280.39	280.4	296.6	+1.1	0.65
Amer Smllr Cos	5	77.30	78.80	83.30	+0.8	-
(Accum Units)	5	78.97	80.50	85.10	+0.8	-
Australasian	5	101.05	101.1	106.9	-0.1	1.56
(Accum Units)	5	118.83	118.9	125.7	....	1.56
Capital	5	476.79	476.8	504.2	+0.7	4.8
(Accum Units)	5	503.35	503.4	532.3	+0.6	4.8
Charifund	1	476.63	486.6	491.5	+0.2	7.51
(Accum Units)	1	1808.28	1846.9	1865.4	+0.7	7.51
Commodity	5	225.31	225.4	238.4	+0.4	2.38
(Accum Units)	5	322.06	322.1	340.7	+0.6	2.38
Compound Growth	5	615.73	615.8	651.2	+0.9	4.67
Dividend†(20-1)	5	25.12	25.30xd	27.10	.....	6.8
(Accum Units)†(20-1)	5	93.20	94.20	100.8	+0.1	6.8
Equity Income	5	218.95	226.7	239.7	.....	7.53
(Accum Units)	5	239.66	248.2	262.4	....	7.53
European	5	292.87	293.4	312.5	-0.6	1.64
(Accum Units)	5	361.25	361.9	385.5	-0.7	1.64
European Dividend	5	45.62	46.10	48.70	-0.1	5.95
(Accum Units)	5	48.93	49.40	52.20	-0.2	5.95
Extra Yield	5	283.91	290.2	306.9	-0.4	7.24
(Accum Units)	5	767.11	784.1	829.2	-1.1	7.24
Far Eastern	5	177.71	178.1	190.6	+0.4	1.07
(Accum Units)	5	229.94	230.4	246.6	+0.4	1.07
Fund of Inv Tsts	5	371.64	371.7xd	393.1	-0.8	3.15
(Accum Units)	5	655.77	655.8	693.6	-1.4	3.15
General †(20-1)	5	42.96	43.00	45.50	..	5.4
(Accum Units)†(20-1)	5	106.28	106.3	112.5	..	5.4
Gilt Income	5	58.41	58.50xd	61.40	+0.2	9.61
(Accum. Units)	5	131.29	131.5	138.0	+0.4	9.61
Gold	5	34.69	35.40	37.40	-0.3	2.08
(Accum Units)	5	39.81	40.60	42.90	-0.3	2.08
High Income†(20-1)	5	18.52	18.60xd	19.70	..	7.09
(Accum Units)†(20-1)	5	64.87	64.90	68.70	-0.1	7.09
Intl Growth†(20-1)	5	50.48	50.50	53.40	+0.1	1.18
(Accum Units)†(20-1)	5	86.05	86.10	91.00	+0.1	1.18
International Inc.	5	64.62	65.20	68.90	-0.3	6.25
(Accum Units)	5	84.50	85.30	90.20	-0.2	6.25

Midland Executive Pension Unit Trust*

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
British	6	66.03	66.00	70.21	-0.11	3.22
European Growth	6	55.88	55.98	59.55	-0.27	1.27
Gilt & F Inst Int	6	58.79	58.79	62.40	+0.14	8.79
Income	6	57.74	58.92	62.68	-0.12	5.38
Japan Growth	6	37.35	37.49	39.88	-0.04	-
Managed	6	53.24	54.00	57.45	-0.03	2.79
Money Market	6	64.25	64.25	68.10	+0.04	9.53
North American	6	57.37	57.95	61.65	+0.18	1.60

* On a switch, units will be issued at bid price.

For MIM Britannia see INVESCO MIM

Morgan Grenfell Invest Fds Ltd (1000)H

20 Finsbury Circus, London EC2M 1UT
Dealers: 071-826 0826 Enquiries: 071-826 0129

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
American Gwth	5¼	162.7	162.7	173.8	+0.3	0.73
European Gth Inc	5¼	184.8	184.8xd	196.9	-0.9	0.00
European Gth Acc	5¼	185.5	185.5xd	197.6	-0.9	0.00
Intl Gwth	5¼	131.7	131.7xd	140.1	-0.9	0.00
UK Equity Inc	5¼	107.8	107.8	116.1	-0.2	4.66
UK Equity Acc	5¼	124.3	124.3	133.9	-0.2	4.66
UK Ind Tracker Inc	5	117.3	117.3	125.4	-0.5	3.92
UK Ind Tracker Acc	5	127.5	127.5	136.4	-0.5	3.92
US Eq Ind Tracker Inc	5	134.3	134.3	144.0	+0.2	3.11
US Eq Ind Tracker Acc	5	139.5	139.5	149.6	+0.2	3.11
Japan Tracker	5	58.31	58.31xd	61.85	-0.28	0.00
Asian Trader	5¼	78.09	78.09	84.23	+0.05	1.87
Managed Inc	5¼	94.80	94.80xd	101.9	+0.1	2.07
Managed Acc	5¼	97.27	97.27xd	104.5	+0.1	2.07
Cash Inc	0	100.16	100.16xd	100.16	+0.06	10.74
Cash Acc	0	112.73	112.73xd	112.73	+0.06	10.74
Europa	5¼	96.11	96.11	103.0	-0.3	0.00
Genesis	3	92.16	92.16	98.98	-0.2	0.00

For Geoffrey Morley see Commercial Union

Murray Johnstone UT Mgmt (1000)H

7 West Nile St, Glasgow G2 2PX 0345 090 933

	Init Chrg	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Acumen	3	67.29	67.50	72.04	-0.19	4.16
Acumen Reserve	3	66.58	66.58	68.57	....	9.64
American Income	3	123.27	123.30	130.60	-2.80	3.64
Equity Income	5	75.94	75.94xd	81.04	-0.18	6.13
European	5	49.65	49.65	52.96	-0.02	1.60
Far Eastern	5	102.78	102.80	109.70	....	0.90
Smaller Cos	5	45.49	45.49xd	48.53	+0.13	2.84
Olympiad	5¼	44.16	44.16	47.12	-0.14	1.01
Olympiad Income	5¼	41.29	41.29xd	44.06	-0.13	6.25
UK Growth	5	71.04	71.67	76.49	-0.24	1.99

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administration costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set at the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sovereign Unit Tst Mngrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth 0202 298422						
Cash	1	49.95	49.95xd	50.45	+0.05	10.6
Courtld Prfrnce	5½	48.21	48.51	51.74	+0.11	9.93
Ethical	5½	46.59	47.62	50.66	-0.03	5.07
European Growth	5½	44.07	44.22	47.17	+0.01	3.3
Income	5½	44.46	44.96	47.96	-0.06	8.07
Intl Growth	5½	60.35	60.46	64.49	-0.29	3.46
Managed	5½	54.61	54.98	58.64	-0.23	4.82
UK Growth	5½	48.13	48.78	52.03	-0.16	6.06
Standard Chartered Equitar (1200)F						
69 Old Broad Street, EC2M 1QS 071-280 6521						
Mngd Exempt Acc	3	185.1	187.3	195.1	-0.7	5.15
Do Income	3	176.7	178.8	186.2	-0.7	5.15
Standard Life Tst Mgmt Ltd (0629)H						
3 George St, Edinburgh EH2 2XZ 0800 393777						
Managed Acc	5¼	34.35	34.35	36.50	+0.3	2.60
UK Equity Gth Acc	5¼	46.66	47.55	50.53	+0.4	2.21
UK Eq High Inc Inc	5¼	28.41	29.12	30.94	+0.4	6.73
UK Eq High Inc Acc	5¼	31.96	32.74	34.79	+0.4	6.73
UK Equity Gen Acc	5¼	44.18	44.94	47.75	+0.5	3.67
UK Equity Gen Inc	5¼	34.57	35.16	37.36	+0.4	3.67
UK Large Cos Acc F	7½	289.4	293.5	318.5	+3.6	4.88
UK Larger Cos Inc F	7½	233.0	236.4	256.5	+2.9	4.88
Gilt & Fxd Int Inc	5¼	27.82	27.94	29.35	+0.2	7.92
O'seas Lrg Cos Acc F	7½	201.0	205.0	222.5	+2.0	2.20
Nth American Acc	5¼	32.97	33.16	35.24	+0.2	0.77
Far East Acc	5¼	38.86	39.84	42.34	+0.7	0.13
European Acc	5¼	31.75	33.34	35.43	+0.2	1.77
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ♥	5	270.3	270.3	289.1	+1.3	0.81
(Accum Units) ♥	5	318.1	318.1	340.3	+1.6	0.81
British	5	787.9	800.9	847.4	+0.4	6.12
(Accum Units)	5	1294.5	1315.9	1392.3	+0.7	6.12
European	5	303.9	303.9	323.7	-2.5	1.57
(Accum Units)	5	329.4	329.4	350.9	-2.7	1.57
Japan	5	107.7	107.7	114.7	-0.3	-
(Accum Units)	5	108.6	108.6	115.6	-0.3	-
New Pacific	5	162.7	162.7	173.6	-0.4	2.99
(Accum Units)	5	167.1	167.1	178.3	-0.4	2.99
PEP Dec 11	5	139.1	140.5	148.7	.....	3.78
Mngd Equity	5	118.4	119.8	126.7	-0.4	3.59
Mngd Equity Acc	5	125.6	127.1	134.4	-0.5	3.59
Mngd Cash	5	96.91	96.91	99.82	+0.06	10.25
(Accum Units)	5	117.2	117.2	120.7	+0.1	10.25
Majority Stdg	1	100.95	100.95	101.96	+0.06	10.65
Majority Stdg Acc	1	107.92	107.92	109.00	+0.07	10.65
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Dec 13	0	49.82	49.82	50.27	.....	3.40
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	580.6	588.7	629.6	-0.9	3.18
North America	6	73.99	73.99	79.13	+0.37	0.89
Far East	6	84.91	84.91	90.80	-0.20	1.09
W'wide Bond	6	47.11	47.11	50.12	-0.38	6.63
European	6	61.55	61.55	65.83	-0.42	1.64
Equity Income	6	63.86	63.86xd	68.30	-0.15	5.27
Portfolio	6	54.38	54.38	58.16	-0.13	2.52
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	24.35	24.35	26.05	+0.05	0.75
Managed Assets	6	97.89	98.61	105.47	-0.20	4.12

	Bid Price	Offer Price	+ or -	Yield Gross
Funds in Court*				
Capital Dec 12	467.53	470.98	.....	3.00
Gross Dec 12	174.61	176.02	.....	11.08
High Yield Dec 12	273.64	275.83	.....	7.98
* Restricted to monies under Court control				
Henderson Unit Trust Management Ltd				
Pensions Mngt.	50.68	51.78	+0.07	4.26
INVESCO MIM Management Ltd				
Exempt Funds				
Intl Mngd P'Follo	1122.0	1211.0	.....	-
Mngd Pens (Acc)	64.8	69.1	.....	-
Lazard Brothers & Co. Ltd				
Property Sept 5	£2480.0	2660.0	.....	6.00
Inc Gth Prp Apr 16	£1375.0	1460.0	.....	7.20
Lazard Investors Ltd ‡‡				
Exempt Funds				
Small Co's Dec 11	£3815.7	3983.5	.....	4.10
European Dec 11	£522.5	528	-	2.15
American Dec 11	£325.9	329.1	.....	2.47
Japan Dec 11	£462.6	467.8	.....	1.39
Pacific Dec 11	£130.1	133.6	.....	2.07
W Midlands Sep 30	£136.50	152.30	.....	2.48
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property Nov 30	193.55	197.40	.....	7.94
Equity Nov 30	834.90	846.60	.....	4.13
* Available only to Local Authorities				
M & G Securities Ltd				
Charibond Dec 13		103.78	+0.4	10.39
(Accum Units)		632.23	+1.9	10.39
NAACIF Dec 10		40.09xd	.....	9.69
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † Dec 10	119.0	128.0	.....	2.12
UK Small Co † Dec 10	519.2	569.8	.....	3.31

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N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Pegasus Assurance Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass Co

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd - Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance Society

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Skandia Life Assurance Co Ltd - Contd.

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Target Life Assurance Co Ltd - Contd.

Templeton Life Assurance Limited

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Financial Services

Equity & Law Intl Life Assur Co Ltd

Equitable Life (International)

Eurolife Assurance Group

Finexco International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

MEL Britannia International Ltd

PanEuroLife

Premium Life International Ltd

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

C F S Financial Mngmt

Capital Trust Financial Management

Chase de Vere PLC

ECU Futures Plc

Edinburgh Money Management Ltd

Fairmount Financial Services Ltd

Hambros Fd Mgrs (CI) Ltd

IPS Capital Management PLC

Independent Financial Group PLC

Johnson Fry Asset Managers Plc

Kleinwort Benson Intl Fd Mngrs Ltd

Knight Williams & Company Ltd

Macartney & Dowie Invest Mngt Plc

Northern Bingo & Partners

PBR Fund Management Ltd

Pendleton May Financial Services Ltd

Roxborough Financial Management Ltd

Sharp (Albert E) & Co.

Sitmain Fund Managers Limited

South Yorks Financial Planning

Charles Stanley & Co Ltd

Tattersall Investment Mngt. Ltd

Towry Law & Co

J. D. Ward Financial Services Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Funds

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)

Adams & Neville Fund Mngt (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Barclays Global Investment Fund Ltd

Henderson Asset Management

Hoare Govett

Holborn Fund Management (Guernsey) Ltd

Kleinwort Benson Islamic Fd Mgmt Ltd

Lazard Fund Mngrs (CI) Ltd

Merrill Lynch (Guernsey)

Nikko Capital Mngt (Europe) Ltd

Sarasin Intl (Guernsey) Ltd

Standard Life Fund Mngrs Ltd

Yamaichi Capital Management (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd

Irish Life Fund Managers

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

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ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar drifts in thin market

THE DOLLAR drifted lower in thin pre-Christmas dealing as attention switched from the Soviet Union to the possibility that US interest rates might be lowered this week and German rates raised.

The dollar traded in a narrow range of DM1.5740 and DM1.5840 and finished the session in the middle at DM1.5785 from DM1.5825 on Friday. It finished lower against the yen, at Y128.45 from Y128.80.

For much of the European day, turnover was depressed as the London market turned quiet after the disruption to transport caused by a bomb attack near a railway station.

The dollar had been edging higher last week as its safe haven qualities attracted investors, worried about the political turmoil in the Soviet Union. But with few fresh developments to capture the market's interest, the dollar headed gently lower.

Depressing the US currency was speculation that the Federal Reserve, at its open market committee meeting today, could respond to the weakness in the US economy by cutting the discount rate by ¼ point to 4 per cent.

Further downward pressure on the dollar may come on Thursday when the Bundesbank council meets. Some dealers believe the Bundesbank will maintain the squeeze on inflation by raising the Lombard rate to 9½ per cent from 9¼ per cent.

The other factor causing the dollar to decline was the latest batch of US economic statistics, which underscored market belief that a cut in interest rates is imminent.

November industrial production fell by 0.4 per cent compared with October's unchanged number and expectations of just a 0.1 per cent monthly decline.

Capacity utilisation in November dipped to 79.1 from 79.6 in October and forecasts of 79.4. Analysts said a big fall in output from the automotive sector was particularly worrying.

The other feature on the foreign exchanges was sterling, which rallied in early dealing on strong buying interest against the mark before dipping later in the session as worries about the economy crept back into the market.

Initially, sterling rose by a pfennig to DM2.8830 as two orders, worth around £100m in total, to buy pounds for marks were executed in London and Frankfurt.

But sterling fell back to close unchanged on the day at DM2.8750 as the market concentrated on a 0.5 per cent decline in manufacturing output in October, compared with forecasts of a 0.3 per cent rise. Output in September fell a revised 0.3 per cent.

Analysts were also still assessing the comments on Friday by Mr Norman Lamont, the UK chancellor, when he said that sterling would move to the narrow 2¼ per cent band in the ERM at a central rate of DM2.95. Mr Mark Austin, at Hongkong Shanghai Bank, said: "Just as in the run-up to ERM entry, sterling is being talked up by officials."

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Dec 16	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.980	-2.73	4.53	47
Belgian Franc	42.4032	42.0055	-0.94	2.63	44
D-Mark	2.05586	2.03984	-0.78	2.47	48
Dutch Guilder	2.31643	2.29834	-0.78	2.47	37
Irish Punt	0.767417	0.765155	-0.29	1.97	12
Italian Lira	1538.24	1539.82	0.10	1.57	-7
French Franc	6.89509	6.96609	1.03	0.63	-58
Danish Krone	7.84195	7.93222	1.15	0.51	-54
Sterling	0.696904	0.708540	1.67	0.00	-33

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec 16	Latest	Previous Close
£ Spot	1.8220 - 1.8230	1.8150 - 1.8165
1 month	0.98 - 0.97pm	0.90 - 0.88pm
3 months	2.66 - 2.63pm	2.67 - 2.64pm
12 months	9.60 - 9.50pm	9.60 - 9.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec 16	Previous
8.30 am	91.5	91.0
9.00 am	91.6	91.0
10.00 am	91.6	91.0
11.00 am	91.6	91.0
Noon	91.6	91.1
1.00 pm	91.6	91.7
2.00 pm	91.6	91.7
3.00 pm	91.6	91.6
4.00 pm	91.5	91.5

CURRENCY MOVEMENTS

Dec 16	Bank of England Index	Morgan** Guaranty Changes %
Sterling	91.5	-20.8
U.S. Dollar	62.2	-16.8
Canadian Dollar	104.1	+2.1
Austrian Schilling	110.4	+12.3
Belgian Franc	112.2	-1.5
Danish Krone	109.2	+5.3
D-Mark	119.5	+25.7
Swiss Franc	109.7	+17.9
Dutch Guilder	115.1	+16.6
French Franc	103.5	-12.9
Lira	99.1	-19.8
Yen	140.2	+74.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Dec.14

CURRENCY RATES

Dec 16	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.773470	0.708540
U S Dollar	4.50	1.39998	1.28990
Canadian $	7.52	1.59878	1.47409
Austrian Sch	7.50	15.5916	14.3578
Belgian Franc	8.00	45.6743	42.0055
Danish Krone	9.50	8.62808	7.93222
D-Mark	7.50	2.21589	2.03984
Dutch Guilder	8.00	2.50778	2.29834
French Franc	10¼	7.59349	6.96609
Italian Lira	11½	1673.60	1539.82
Japanese Yen	5.00	180.177	165.623
Norway Krone	8	8.72608	8.01555
Spanish Peseta	-	141.699	129.980
Swedish Krona	10.00	8.10210	7.44606
Swiss Franc	7.00	1.95437	1.80263
Greek Drach	19	N/A	233.820
Irish Punt	-	N/A	0.765155

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland
† European Commission Calculations
* All SDR rates are for Dec 14

OTHER CURRENCIES

Dec 16	£	$
Argentina	18032.8 - 18070.9	9900.00 - 9910.00
Australia	2.3535 - 2.3555	1.2915 - 1.2920
Brazil	1723.15 - 1725.30	946.00 - 946.150
Finland	7.7670 - 7.7805	4.2600 - 4.2650
Greece	327.700 - 332.950	179.750 - 182.650
Hong Kong	14.1645 - 14.1780	7.7735 - 7.7756
Iran	117.90*	65.70*
Korea(Sth)	1363.15 - 1385.10	752.80 - 761.80
Kuwait	0.52030 - 0.52100	0.28550 - 0.28580
Luxembourg	59.15 - 59.25	32.45 - 32.55
Malaysia	5.0005 - 5.0085	2.7455 - 2.7475
Mexico	5537.35 - 5547.10	3040.00 - 3042.00
N.Zealand	3.2640 - 3.2675	1.7910 - 1.7930
Saudi Ar.	6.7815 - 6.8585	3.7490 - 3.7500
Singapore	3.0005 - 3.0080	1.6470 - 1.6490
S.Af (Cm)	5.0450 - 5.0660	2.7720 - 2.7770
S.Af (Fn)	5.7580 - 5.9460	3.1595 - 3.2625
Taiwan	46.85 - 46.90	25.70 - 25.75
U.A.E.	6.6415 - 6.7190	3.6715 - 3.6735

*Official rate. Floating rate £-2578.0 $-1421.0

POUND SPOT - FORWARD AGAINST THE POUND

Dec 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8170 - 1.8245	1.8210 - 1.8220	0.99-0.97cpm	6.46	2.70-2.67pm	5.90
Canada	2.0755 - 2.0850	2.0795 - 2.0805	0.70-0.60cpm	3.75	1.74-1.59pm	3.20
Netherlands	3.2330 - 3.2500	3.2350 - 3.2450	¼-⅛cpm	0.69	⅝-½pm	1.00
Belgium	59.00 - 59.45	59.15 - 59.25	10-5cpm	1.52	15-8pm	0.78
Denmark	11.1670 - 11.2190	11.1800 - 11.1900	1½-⅛orepm	1.07	2⅛-1⅛pm	0.69
Ireland	1.0765 - 1.0810	1.0765 - 1.0775	0.03-0.07pdis	-0.56	0.01pm-0.09dis	-0.15
Germany	2.8725 - 2.8850	2.8725 - 2.8775	⅜-¼pfpm	1.04	⅞-½pm	0.87
Portugal	253.70 - 256.35	254.10 - 255.10	27-101cdis	-3.02	131-224dis	-2.79
Spain	182.60 - 184.00	182.60 - 182.90	30-38cdis	-2.23	88-99dis	-2.05
Italy	2168.15 - 2177.15	2170.75 - 2175.75	3-5liredis	-2.21	8-10dis	-1.66
Norway	11.2835 - 11.3410	11.2875 - 11.2975	¼-1oredis	-0.73	¾-3⅛dis	-0.77
France	9.8115 - 9.8410	9.8175 - 9.8275	¾-⅛cpm	0.76	1⅛-1pm	0.51
Sweden	10.4850 - 10.5300	10.4950 - 10.5050	3⅝-4oredis	-4.36	6⅝-7⅛dis	-2.74
Japan	233.50 - 234.50	233.50 - 234.50	1-⅞ypm	4.81	2⅝-2½pm	4.38
Austria	20.18 - 20.29	20.21 - 20.24	3⅛-2gropm	1.52	5⅛-3⅛pm	0.88
Switzerland	2.5350 - 2.5450	2.5350 - 2.5450	⅝-½cpm	2.66	1½-1⅜pm	2.26
Ecu	1.4090 - 1.4150	1.4095 - 1.4105	0.04pm-0.01cdis	0.13	0.05pm-0.01dis	0.06

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.18-5.13cpm. 12 Month 9.65-9.55cpm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Dec 16	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8170 - 1.8245	1.8210 - 1.8220	0.99-0.97cpm	6.46	2.70-2.67pm	5.90
Ireland†	1.6830 - 1.6920	1.6885 - 1.6895	0.83-0.78cpm	5.72	2.42-2.32pm	5.61
Canada	1.1410 - 1.1440	1.1430 - 1.1440	0.24-0.28cdis	-2.73	0.75-0.81dis	-2.73
Netherlands	1.7735 - 1.7845	1.7780 - 1.7790	0.82-0.85cdis	-5.63	2.32-2.36dis	-5.26
Belgium	32.40 - 32.60	32.45 - 32.55	13.00-16.00cdis	-5.35	38.00-44.00dis	-5.05
Denmark	6.1260 - 6.1565	6.1375 - 6.1425	2.58-2.85oredis	-5.28	7.55-8.15dis	-5.11
Germany	1.5735 - 1.5830	1.5780 - 1.5790	0.70-0.71pfdis	-5.36	1.99-2.01dis	-5.07
Portugal	139.80 - 140.45	139.80 - 139.90	115-135cdis	-10.73	300-330dis	-9.01
Spain	100.30 - 101.00	100.45 - 100.55	71-76cdis	-8.78	198-208dis	-8.08
Italy	1187.85 - 1194.75	1191.50 - 1192.50	8.40-8.90liredis	-8.71	22.40-23.40dis	-7.68
Norway	6.1900 - 6.2230	6.1975 - 6.2025	3.30-3.80oredis	-6.87	9.35-9.95dis	-6.23
France	5.3740 - 5.4065	5.3900 - 5.3950	2.53-2.58cdis	-5.69	7.24-7.34dis	-5.41
Sweden	5.7465 - 5.7810	5.7625 - 5.7675	5.70-5.90oredis	-12.07	14.15-14.45dis	-9.92
Japan	128.20 - 128.60	128.40 - 128.50	0.17-0.18ydis	-1.63	0.47-0.48dis	-1.48
Austria	11.0940 - 11.1460	11.1125 - 11.1175	4.70-5.20grodis	-5.34	13.30-14.60dis	-5.02
Switzerland	1.3910 - 1.3990	1.3945 - 1.3955	0.45-0.48cdis	-4.00	1.25-1.29dis	-3.64
Ecu	1.2880 - 1.2945	1.2895 - 1.2905	0.71-0.68cpm	6.47	1.91-1.86pm	5.83

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Dec 16	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	11 - 10⅞	10⅞ - 10¾	10⅞ - 10¾	10 13/16 - 10 11/16	10 9/16 - 10 7/16	10½ - 10⅜
US Dollar	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4¾ - 4½
Can. Dollar	7⅛ - 6⅞	7⅛ - 6⅞	7⅛ - 7	7⅛ - 6 15/16	7⅛ - 6 15/16	7⅛ - 6 15/16
Dutch Guilder	9⅝ - 9½	9⅝ - 9½	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9⅝ - 9½
Swiss Franc	7⅞ - 7⅝	7⅞ - 7⅝	8⅛ - 8	8⅛ - 8	8⅛ - 8	8 - 7⅞
D-Mark	9 - 8⅞	9⅛ - 9	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼	9⅜ - 9¼
French Franc	9⅞ - 9¾	9⅝ - 9½	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9 11/16 - 9 9/16
Italian Lira	12 - 10	12 - 11½	12½ - 12⅛	12⅛ - 11⅞	12⅛ - 11⅞	12⅛ - 11⅞
Belgian Franc	9½ - 9¼	9½ - 9¼	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	6¼ - 6⅛	6¼ - 6⅛	6⅛ - 6	6⅛ - 6	5⅞ - 5¾	5⅝ - 5½
Danish Krone	9⅛ - 9	9⅞ - 9⅝	9⅝ - 9½	9 11/16 - 9 9/16	9 11/16 - 9 9/16	9 11/16 - 9 9/16
Asian $Sing	2 11/16 - 2 9/16	2⅝ - 2½	2 11/16 - 2 9/16	2 11/16 - 2 9/16	3⅛ - 3	3⅜ - 3¼

Long term Eurodollars: two years 5⅜-5¼ per cent; three years 5⅞-5¾ per cent; four years 6⅜-6¼ per cent; five years 6⅝-6½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.16	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.822	2.875	234.0	9.823	2.540	3.240	2171	2.080	59.20	1.410
$	0.549	1	1.578	128.4	5.391	1.394	1.778	1192	1.142	32.49	0.774
DM	0.348	0.634	1	81.39	3.417	0.883	1.127	755.1	0.723	20.59	0.490
YEN	4.274	7.786	12.29	1000.	41.98	10.85	13.85	9278	8.889	253.0	6.026
F Fr.	1.018	1.855	2.927	238.2	10.	2.586	3.298	2210	2.117	60.27	1.435
S Fr.	0.394	0.717	1.132	92.13	3.867	1	1.276	854.7	0.819	23.31	0.555
N Fl.	0.309	0.562	0.887	72.22	3.032	0.784	1	670.1	0.642	18.27	0.435
Lira	0.461	0.839	1.324	107.8	4.525	1.170	1.492	1000.	0.958	27.27	0.649
C $	0.481	0.876	1.382	112.5	4.723	1.221	1.558	1044	1	28.46	0.678
B Fr.	1.689	3.078	4.856	395.3	16.59	4.291	5.473	3667	3.514	100.	2.382
Ecu	0.709	1.292	2.039	166.0	6.967	1.801	2.298	1540	1.475	41.99	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
93	3-54	4-18	0-12	0-36
94	2-62	3-33	0-20	0-51
95	2-12	2-54	0-34	1-08
96	1-33	2-16	0-55	1-34
97	1-00	1-46	1-22	2-00
98	0-41	1-20	1-63	2-38
99	0-25	0-63	2-47	3-17
100	0-14	0-45	3-36	3-63

Estimated volume total, Calls 520 Puts 651
Previous day's open int. Calls 20416 Puts 14210

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
97	3-60	3-24	0-26	0-54
98	3-09	2-46	0-39	1-12
99	2-27	2-09	0-57	1-39
100	1-51	1-41	1-17	2-07
101	1-19	1-15	1-49	2-45
102	0-59	0-58	2-25	3-24
103	0-40	0-41	3-06	4-07
104	0-27	0-29	3-57	4-59

Estimated volume total, Calls 2 Puts 25
Previous day's open int. Calls 996 Puts 860

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
8500	1.84	2.41	0.12	0.23
8550	1.42	2.01	0.20	0.33
8600	1.04	1.65	0.32	0.47
8650	0.73	1.32	0.51	0.64
8700	0.49	1.03	0.77	0.85
8750	0.32	0.79	1.10	1.11
8800	0.19	0.60	1.47	1.42
8850	0.11	0.44	1.89	1.76

Estimated volume total, Calls 2292 Puts 2321
Previous day's open int. Calls 96121 Puts 41793

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8950	0.94	1.22	0	0
8975	0.69	0.98	0	0.01
9000	0.44	0.74	0	0.02
9025	0.19	0.51	0	0.04
9050	0	0.31	0.06	0.09
9075	0	0.15	0.31	0.18
9100	0	0.07	0.56	0.35
9125	0	0.03	0.81	0.56

Estimated volume total, Calls 400 Puts 641
Previous day's open int. Calls 46343 Puts 36306

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lire 200m 100ths of 100%

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
9550	2.07	2.31	0.11	0.38
9600	1.67	1.95	0.21	0.52
9650	1.30	1.62	0.34	0.69
9700	0.98	1.33	0.52	0.90
9750	0.69	1.06	0.73	1.13
9800	0.47	0.84	1.01	1.41
9850	0.32	0.65	1.36	1.72
9900	0.21	0.50	1.75	2.07

Estimated volume total, Calls 25 Puts 10
Previous day's open int. Calls 3106 Puts 1531

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8850	0.83	1.33	0	0
8875	0.58	1.09	0	0.01
8900	0.33	0.85	0	0.02
8925	0.09	0.63	0.01	0.05
8950	0.01	0.43	0.18	0.10
8975	0	0.26	0.42	0.18
9000	0	0.14	0.67	0.31
9025	0	0.08	0.92	0.50

Estimated volume total, Calls 2034 Puts 1428
Previous day's open int. Calls 93201 Puts 69887

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT *
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	96-10	96-21	96-12	96-14
Mar	96-21	97-01	96-20	96-24

Estimated volume 18554 (35790)
Previous day's open int. 51737 (46524)

US TREASURY BONDS 8% *
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	101-15	101-27	101-20	102-00
Mar	100-17	100-23	100-17	101-02

Estimated volume 822 (1046)
Previous day's open int. 3309 (3217)

6% NOTIONAL GERMAN GOVT. BOND *
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Mar	86.72	86.78	86.39	86.51
Jun	87.18			86.97

Estimated volume 28854 (37033)
Previous day's open int. 74772 (73904)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low
Mar	101.50	101.52	101.40
Jun	101.46		

Estimated volume 1110 (295)
Traded exclusively on APT

9% NOTIONAL ECU BOND
ECU 200,000 100ths of 100%

	Close	High	Low	Prev.
Mar	99.94			99.94
N				
A				

Estimated volume 0 (0)
Previous day's open int. 0 (0)

12% NOTIONAL ITALIAN GOVT. BOND (BTP) *
LIRA 200m 100ths of 100%

	Close	High	Low	Prev.
Mar	97.46	97.48	97.35	97.39
Jun	97.43			97.39

Estimated volume 1651 (3168)
Previous day's open int. 13925 (13607)

THREE MONTH STERLING *
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	89.33	89.43	89.32	89.42
Mar	89.83	89.95	89.83	89.88
Jun	90.00	90.08	90.00	90.04
Sep	90.19	90.26	90.18	90.20
Dec	90.24	90.28	90.26	90.26
Mar	90.24	90.28	90.22	90.24

Est. Vol. (inc. figs. not shown) 34676 (68580)
Previous day's open int. 171844 (172988)

THREE MONTH EURODOLLAR *
$1m points of 100%

	Close	High	Low	Prev.
Dec	95.44	95.45	95.43	95.45
Mar	95.58	95.58	95.56	95.57
Jun	95.46	95.46	95.45	95.46
Sep	95.25	95.25	95.24	95.26

Est. Vol. (inc. figs. not shown) 3234 (4265)
Previous day's open int. 43084 (43233)

THREE MONTH EUROMARK *
DM 1m points of 100%

	Close	High	Low	Prev.
Dec	90.44	90.43	90.41	90.42
Mar	90.72	90.73	90.69	90.72
Jun	91.01	91.04	91.00	91.02
Sep	91.27	91.28	91.26	91.29
Dec	91.40	91.38	91.35	91.40
Mar	91.57	91.57	91.57	91.58

Estimated volume 21218 (18444)
Previous day's open int. 177966 (178134)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	89.44	89.48	89.46	89.44
Mar	90.09	90.09	90.06	90.05
Jun	90.49	90.49	90.44	90.41
Sep	90.80			90.75

Estimated volume 842 (704)
Previous day's open int. 6791 (6764)

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Dec	91.81	91.82	91.76	91.79
Mar	92.20	92.21	92.16	92.17
Jun	92.50	92.50	92.48	92.48
Sep	92.70	92.70	92.66	92.66

Estimated volume 2484 (1781)
Previous day's open int. 23255 (23467)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Dec	2453.0	2464.0	2447.0	2470.0
Mar	2484.0	2494.0	2479.0	2501.0
Jun	2514.5			2532.0

Estimated volume 5711 (9145)
Previous day's open int. 41188 (42548)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Dec	1056.0	1055.0	1055.0	1055.0
Mar	1077.0	1077.0	1077.0	1076.0

Estimated volume 36 (110)
Previous day's open int. 282 (282)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8215	1.8117	1.7947	1.7700	1.7255

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	101-19	101-21	101-16	101-14
Mar	100-20	100-23	100-17	100-15
Jun	99-19	99-22	99-19	99-15
Sep	98-20	98-20	98-20	98-16
Dec	-	-	-	97-18
Mar	96-27	96-27	96-27	96-23
Jun	-	-	-	95-29
Sep	-	-	-	95-04
Dec	-	-	-	94-12
Mar	-	-	-	93-22

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Mar	96.02	96.03	96.02	96.00
Jun	95.95	95.96	95.95	95.93
Sep	-	-	-	95.79
Dec	-	-	-	95.40
Mar	95.21	95.19	-	-

BRITISH POUND (IMM)
$s per £

	Latest	High	Low	Prev.
Dec	1.8236	1.8250	1.8194	1.8156
Mar	-	1.7972	1.7926	1.7890
Jun	1.7750	1.7750	-	1.7646

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	-	0.7170	0.7153	0.7123
Mar	0.7106	0.7108	0.7090	0.7059
Jun	0.7050	0.7050	-	0.6999

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7788	0.7790	0.7782	0.7752
Mar	0.7760	0.7763	0.7757	0.7724
Jun	-	0.7742	0.7742	0.7703
Sep	-	0.7726	0.7726	0.7693

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	-	0.6347	0.6325	0.6290
Mar	0.6260	0.6267	0.6245	0.6212
Jun	0.6180	0.6180	0.6166	0.6137

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	95.44	95.44	95.43	95.42
Mar	95.58	95.58	95.55	95.55
Jun	95.46	95.46	95.44	95.43
Sep	95.25	95.25	95.24	95.22
Dec	94.75	94.75	94.73	94.72
Mar	94.50	94.50	94.49	94.48
Jun	94.09	94.09	94.08	94.07
Sep	93.69	93.69	93.68	93.67

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	-	385.20	384.40	384.80
Mar	386.20	386.65	385.95	386.40
Jun	387.55	387.85	387.45	387.60

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
1.725	9.75	9.75	9.82	10.09	0.10	0.83	1.47	3.70
1.750	7.26	7.50	7.70	8.21	0.34	1.39	2.19	4.73
1.775	5.05	5.62	5.89	6.64	0.80	2.18	3.08	5.93
1.800	3.21	4.02	4.39	5.31	1.59	3.18	4.24	7.32
1.825	1.90	2.79	3.21	4.20	2.76	4.56	5.72	8.82
1.850	1.03	1.87	2.33	3.28	4.41	6.19	7.37	10.50
1.875	0.49	1.20	1.62	2.53	6.39	8.00	9.15	12.36

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls N/A Puts N/A (All currencies)

PARIS

7 to 10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield	Open int.
December	106.50	106.68	+0.12	106.70	106.50	8.98	34,542
March	106.84	106.94	+0.10	106.98	106.82	8.94	95,299
June	107.54	107.64	+0.10	107.64	107.54	8.85	8,961

Estimated volume 46,151 Total Open Interest 139,113

6 to 10 YEAR 10% ITALIAN LONG TERM CONTRACT (MATIF) FUTURES

	Open	Sett price	Change	High	Low	Yield	Open int.
December	86.60	86.70	+0.05	86.70	86.60	-	5,412
March	-	86.90	+0.11	-	-	-	100

Estimated volume 108 Total Open Interest 5,512

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Sett price	Change	High	Low	Yield	Open int.
December	90.09	90.10	-0.01	90.12	90.08	9.89	13,835
March	90.53	90.55	+0.03	90.55	90.50	9.48	32,544

Estimated volume 13,202 Total Open Interest 58,378

CAC-40 FUTURES (MATIF) Stock index

	Open	Sett price	Change	High	Low	Yield	Open int.
December	1707.0	1713.5	+9.5	1714.0	1697.0	-	12,629
January	1720.0	1727.0	+10.0	1727.0	1710.5	-	6,474
February	1734.0	1740.5	+9.5	1734.0	1734.0	-	0
March	1737.0	1753.5	+9.5	1750.0	1737.0	-	4,583

Estimated volume 9,508 Total Open Interest 23,686

ECU BOND (MATIF)

	Open	Sett price	Change	High	Low	Yield	Open int.
December	107.00	106.94	-0.10	107.06	106.92	8.91	2,484
March	107.30	107.24	-0.10	107.36	107.22	8.86	3,097

Estimated volume 3,249 Total Open Interest 5,581

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls March	Calls June	Calls September	Puts March	Puts June	Puts September
106	1.35	2.15	-	0.43	0.60	-
107	0.77	-	-	0.85	-	-
108	0.38	-	-	-	-	-
109	0.18	-	-	-	-	-
Open int	132,441	10,397	50	87,889	12,810	100

Estimated volume 26,869 Total Open Interest 243,687

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk.	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc.	14	Roxburghe Bank Ltd.	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK rates firmer

UK MONEY rates were slightly firmer as sterling gave up early gains against the D-Mark on the exchange markets, although very near-term rates were higher on a large liquidity shortage in the credit system.

Three months money closed at 10 11/16-⅝ per cent, up 1/16; six months was unchanged at 10 9/16-7/16 per cent; and one year money was down 1/16 at 10½-⅜ per cent.

Period rates had begun the session slightly lower on the day as sterling initially jumped by more than a pfennig to DM2.8830 in continuing response to comments by Mr Norman Lamont, the UK chancellor, ruling out a devaluation.

But as the session wore on and with sterling under pressure after a weak set of manufacturing output numbers for October, rates began to gradually creep higher.

In the futures market, trading was brisk with the March short sterling contract following the pound higher and then lower.

The March contract rose to 89.95, up 7 basis points, before ending at 89.83, down a net 5 points on the day.

The money and interest rate futures markets are still anticipating no early cut in UK rates. Dealers say that as long as sterling is under pressure there will be little scope for any downward adjustment on rates.

At the short end of the money market, rates were firmer after the Bank of England forecast a large daily liquidity shortage of £1.8bn.

The factors causing the shortage were a large flow of money into the Exchequer and the resale of bills and the unwinding of Bank of England assistance.

During the day, the Bank injected £1.634bn of liquidity into the market to help offset the shortage. But this still left the market £166m shortage by the end of the day and overnight money closed at 11⅛-⅞ per cent, up ⅛ point.

Also underpinning rates were the suggestions that the Bundesbank may raise the Lombard rate by ¼ point to 9½ per cent on Thursday.

Call money was quoted at 9.00-9.10 per cent from 8.90-9.00 per cent on Friday. Short-term German money rates were boosted by large December tax payments, which were starting to drain out of the market.

A drop in bank reserve holdings last week also caused some upward pressure on rates.

UK clearing bank base lending rate
10.5 per cent
from September 4, 1991

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.16) 3 months US dollars		6 months US Dollars	
bid 4 7/16	offer 4 9/16	bid 4 7/16	offer 4 9/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK Treasury Bills and Bonds

Lunchtime					
Prime rate	7½	One month	4.25	Three year	5.40
Broker loan rate	6¼	Two month	4.40	Four year	5.51
Fed funds	4½	Three month	4.23	Five year	6.26
Fed funds at intervention	·	Six month	4.31	Seven year	6.74
		One year	4.41	10-year	7.22
		Two year	5.06	30-year	7.79

Dec.16	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.00-9.10	9.30-9.50	9.30-9.50	9.30-9.50	9.30-9.50	9.25
Paris	9½-9⅜	9 11/16-9 9/16	9⅝-9½	9⅝-9½	9 11/16-9 9/16	9.25
Zurich	6¾-6½	8¼-8⅛	-	8-8¼	-	-
Amsterdam	9.56-9.68	9.65-9.75	-	9.56-9.66	-	-
Tokyo	6 5/16-6⅛	6 5/16-6 3/16	-	5 13/16-6⅛	-	-
Milan	11⅞-12⅛	12⅜	-	12 3/16-12⅜	-	-
Brussels	9.25-9.38	9⅜-9 3/16	-	9⅜-9 3/16	-	-
Dublin	9¼-9⅜	10¼-10⅜	10¼-10½	10⅜-10½	10⅜-10½	-

LONDON MONEY RATES

Dec 16	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13⅛	10⅞	10 13/16	10 11/16	10 9/16	10½
Interbank Bid	10⅝	10⅝	10 11/16	10⅝	10 7/16	10⅜
Sterling CDs	-	-	10 11/16	10 9/16	10 7/16	10 5/16
Local Authority Deps.	10½	10½	10⅝	10 9/16	10⅜	10⅜
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10⅝	-	-	-	-
Company Deposits	-	-	10 13/16	10 11/16	10⅝	10⅜
Finance House Deposits	-	-	10 13/16	10¾	10½	10⅜
Treasury Bills (Buy)	-	-	10⅜	10	9¾	-
Bank Bills (Buy)	-	-	10 11/16	10 5/16	9 13/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.88	4.50	4.48	4.55
SDR Linked Dep. Offer	-	-	7	6⅞	6⅞	6 13/16
SDR Linked Dep. Bid	-	-	6⅞	6¾	6¾	6 11/16
ECU Linked Dep. Offer	-	-	10 13/16	10¾	10⅝	10⅜
ECU Linked Dep. Bid	-	-	10⅝	10½	10⅜	10¼

Treasury Bills (sell): one-month 10 3/16 per cent; three months 9 13/16 per cent; six months 9⅝ per cent; Bank Bills (sell): one-month 10⅝ per cent; three months 10 3/16 per cent; Treasury Bills; Average tender rate of discount 9.9803 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 29, 1991. Agreed rates for period Dec.25, 1991 to January 25, 1992, Scheme I: 11.74 p.c., Schemes II & III: 11.75 p.c. Reference rate for period November 1, 1991 to November 29, 1991, Scheme IV&V: 10.513 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from December 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gross CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Calcash Deposit Fund	10.58	-	11.01	3 Mth
Deposits Over £1 million	10.68	-	11.11	3 Mth
Deposits Over £2 million	10.78	-	11.22	3 Mth
The CBF Charities Deposit Account 2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	10.40	-	10.81	3-Mth
Cent. Bd. of Fin. of Church of England 2 Fore Street, London EC2Y 5AQ			071-588 1815	
Deposit	10.50	-	10.92	3-Mth
Gartmore Money Management Ltd 16-18 Monument St, London EC3R 8QQ			071-236 1425 071 236 9362	
TESSA Desk				
Call Fnd.	10.10	7.57	10.55	6-Mth
7-day Fund	10.19	7.64	10.44	6-Mth
Special Fund	10.14	7.60	10.62	1-Mth
Dollar	3.24	2.43	3.27	3-Mth
TESSA Prime	9.76	-	10.12	3-Mth
TESSA Plus	9.57	-	9.92	3-Mth
TESSA Saver	9.33	-	9.66	3-Mth

Money Market Bank Accounts

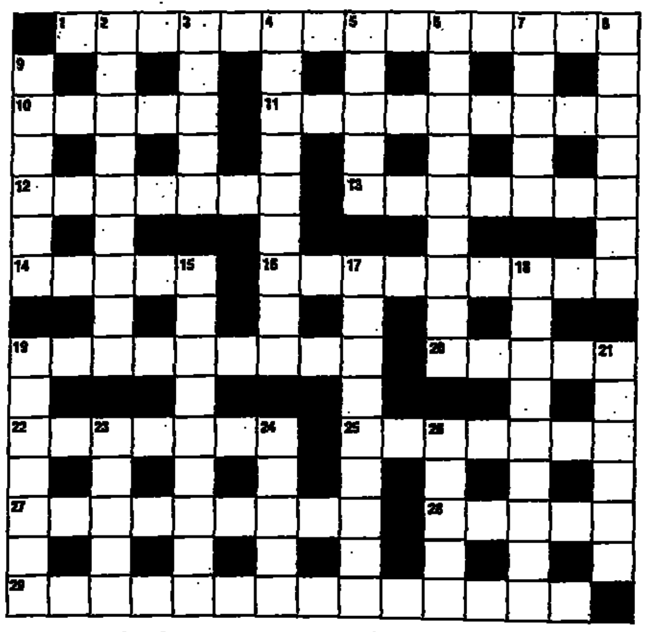
	Gross	Net	Gross CAR	Int Cr
AIB Bank High Interest Cheque Account Belmont Rd, Uxbridge UB8 1SA			0800 282115	
£2,500-£9,999	8.50	6.38	8.77	Qtr
£10,000+	9.25	6.94	9.57	Qtr
Aitken Hume Bank plc 30 City Road, EC1Y 2AY			071-638 6070	
Treasury Acc.	9.00	6.75	9.31	Qtr
Mth Int Chq £1,000-£4,999	9.00	6.75	9.38	Mth
Mth Int Chq £5,000-£49,999	9.50	7.125	9.92	Mth
Mth Int Chq £50,000+	10.00	7.50	10.47	Mth
Allied Trust Bank Ltd 97-101 Cannon St, London, EC4N 5AD			071-626 0879	
TOMNA (£2,000)+	10.90	8.18	11.46	Mth
OMNA (£2,001+)	10.50	7.88	11.02	Mth
HICA (£2,001+)	9.00	6.75	9.38	Mth
Premier TESSA	12.50	9.38	13.24	Yearly
American Express Bank Ltd Sussex House, Burgess Hill, West Sussex, RH15 9AW			0444 230230	
High Performance Cheque Account				
Cardmembers				
£500-£999	3.50	2.63	3.56	Mth
£1,000-£4,999	8.50	6.38	8.84	Mth
£5,000-£9,999	8.70	6.53	9.06	Mth
£10,000-£24,999	9.10	6.83	9.49	Mth
£25,000-£49,999	9.30	6.98	9.71	Mth
£50,000-£99,999	9.50	7.13	9.92	Mth
£100,000+	9.70	7.28	10.14	Mth
Non-Cardmembers				
£500-£999	3.25	2.44	3.30	Mth
£1,000-£4,999	8.25	6.19	8.57	Mth
£5,000-£9,999	8.45	6.34	8.79	Mth
£10,000-£24,999	8.85	6.64	9.22	Mth
£25,000-£49,999	9.05	6.79	9.43	Mth
£50,000-£99,999	9.25	6.94	9.65	Mth
£100,000+	9.45	7.09	9.87	Mth
Bank of Ireland High Interest Cheque Acc 36-40 High St, Slough SL1 1EL			0753 516516	
£10,000+	8.75	6.563	9.041	Qtr
£2,000-£9,999	8.50	6.375	8.775	Qtr
Bank of Scotland 38 Threadneedle St, EC2P 2EH			071-601 6446	
MM Chq Acc £2,500-£24,999	8.65	6.48	9.00	Mth
£25,000+	9.11	6.83	9.50	Mth
Barclays Select PO Box 120, Westwood Bs Pk, Coventry			0800 400100	
£2,000-£9,999	8.50	6.38	8.50	-
£10,000-£24,999	9.75	7.31	9.75	-
£25,000-£49,999	10.25	7.69	10.25	-
£50,000+	11.00	8.25	11.00	-
Barclays Prime Account H.I.C.A. PO Box 125, Northampton			0604 252891	
£1,000-£2,499	7.00	5.25	7.19	Qtr
£2,500-£9,999	7.70	5.78	7.93	Qtr
£10,000-£24,999	8.40	6.30	8.67	Qtr
£25,000+	8.75	6.56	9.04	Qtr
Benchmark Bank PLC Premier Account 86 Newman Street, W1P 3LD			071-631 3313	
£2,500-£10,000	9.00	6.75	9.31	Qtr
£10,001-£20,000	9.25	6.9375	9.58	Qtr
£20,000+	10.00	7.50	10.38	Qtr
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2			071-606 9833	
HICA	9.00	6.75	9.23	Qtr
Prof Demand A/c	8.875	6.66	9.10	Qtr
Caledonian Bank Plc 8 St Andrew Square, Edinburgh EH2 2PP			031 556 8235	
HICA	10.00	7.50	-	Yearly
Cater Allen Ltd 25 Birchin Lane, London EC3V 9DJ			071-623 2070	
HICA	9.00	6.75	9.3807	Mth
Comort £5,000 min	9.75	7.3125	10.1977	Mth
TESSA	10.25	-	10.7455	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH			071-248 4000	
£2,500-£19,999	9.25	6.94	9.65	Mth
£20,000-£49,999	9.50	7.13	9.92	Mth
£50,000-£99,999	9.75	7.31	10.20	Mth
£100,000+	10.00	7.50	10.47	Mth
$5,000-$49,999	3.00	2.25	3.04	Mth
$50,000-$99,999	3.50	2.63	3.56	Mth
$100,000-$199,999	3.75	2.81	3.82	Mth
$200,000+	4.00	3.00	4.07	Mth
Many other currencies are available—for rates please phone ext 2168				
Clydesdale Bank PLC 30 St Vincent Place, Glasgow G1 2HL			041 248 7070	
£2,000-£24,999	8.25	6.19	8.51	Qtr
£25,000-£99,999	9.00	6.75	9.31	Qtr
£100,000+	9.50	7.13	9.84	Qtr
Co-operative Bank PO Box 300, Skelmersdale, Lancs			0800 616162	
TESSA	11.50	-	-	Yearly
Investment 90 – 90 Day Notice Savings				
£50,000+	10.75	8.10	11.0	6-Mth
£25,000-£49,999	10.50	7.90	10.8	6-Mth
£10,000-£24,999	9.50	7.10	9.7	6-Mth
£5,000-£9,999	8.25	6.20	8.4	6-Mth
Pathfinder – Card Based Current Account				
All Balances	10.00	7.50	10.50	Mth
Top Tier – Instant Access Savings				
£50,000+	9.50	7.10	9.7	6-Mth
£10,000-£49,999	9.00	6.75	9.2	6-Mth
£5,000-£9,999	7.75	5.80	7.90	6-Mth
£1,000-£4,999	7.25	5.40	7.40	6-Mth
£1-£999	3.50	2.60	3.50	6-Mth
Ultra Interest Bearing Current Account				
£20,000+	6.50	4.90	6.70	Mth
£5,000-£19,999	5.50	4.10	5.60	Mth
£500-£4,999	3.00	2.25	3.00	Mth
£1-£499	2.00	1.50	2.00	Mth
Coutts & Co Reserve Account, 440 Strand, London WC2R 0QS			071-753 1000	
For personal customers				
£50,000+	9.125	6.84	9.44	Qtr
£20,000-£49,999	8.625	6.47	8.91	Qtr
£5,000-£19,999	8.125	6.09	8.38	Qtr
For businesses, charities and societies				
£100,000-£1,000,000	8.50	6.40	8.78	Qtr
£25,000-£99,999	8.25	6.19	8.51	Qtr
£10,000-£24,999	7.625	5.72	7.85	Qtr
Coutts Composite Account for clients money, 27 Bush Lane, London EC4R 0AA			071-623 3434	
Rates negotiable up to	10.25	-	-	-
Darlington & Co Ltd Investment HICA 70 Prince St, Bristol BS1 4QD			0272 213206	
£50,000-£1m	9.50	7.13	9.84	Qtr
£25,000-£49,999	9.25	6.94	9.58	Qtr
£5,000-£24,999	9.00	6.75	9.31	Qtr
Financial & General Bank plc 13 Lowndes Street, London, SW1X 9EX			071-235 0036	
H.I.D.A. £50,000+	10.85	8.137	11.12	6-Mth
H.I.D.A. £10,000-£49,999	10.50	7.875	10.77	6-Mth
Gartmore Money Management Ltd 16-18 Monument St London EC3R 8QQ			071-236 1425	
HICA £10,000+	8.75	6.56	9.04	3-Mth
Halifax Bldg Soc Asset Reserve Cheque Acc Trinity Road, Halifax HX1 2RG			0422 335333	
£5,000-£9,999	9.00	6.75	9.31	Qtr
£10,000-£24,999	9.80	7.35	10.17	Qtr
£25,000-£49,999	10.25	7.69	10.65	Qtr
£50,000 and above	10.90	8.18	11.35	Qtr
Julian Hodge Bank Ltd 10 Windsor Place Cardiff CF1 3BX			0222 220800	
6 Mth Fixed Rate Dep Acc.	11.00	8.25	-	-
Extra High Interest Deposit Account				
£50,000+	10.75	8.06	11.19	Qtr
£10,000+	10.25	7.69	10.65	Qtr
£5,000+	9.75	7.31	10.11	Qtr
Humberclyde Finance Group Chalkey Ct, Winchester Rd, Basingstoke			0256 841863	
£50,000+	10.50	7.88	10.82	Qtr
Kleinwort Benson Ltd 198 Kentish Town Rd, London NW5 2BT			071 267 1366	
H.I.C.A. (£2,500+)	9.75	7.31	10.21	Daily
Lloyds Bank – Investment Account 71 Lombard St, London EC3P 3BS			0272 433372	
£50,000 and Above	10.40	7.80	10.40	Yearly
£25,000+	10.00	7.50	10.00	Yearly
£10,000+	9.80	7.35	9.80	Yearly
£5,000+	8.40	6.30	8.40	Yearly
Midland Bank plc PO Box 2, Sheffield.			0742 529994	
Exchequer Acc £5000+	9.78	7.34	10.00	6-Mth
£10,000+	10.02	7.52	10.25	6-Mth
£25,000+	10.49	7.87	10.75	6-Mth
£50,000+	10.73	8.05	11.00	6-Mth
TESSA	11.00	-	11.00	Yearly
NatWest Crown Reserve Account 41 Lothbury, London, EC2P 2BP			071-374 3374	
£25,000 and above	10.25	7.69	10.65	3-Mth
£10,000 to £24,999	10.00	7.50	10.38	3-Mth
£2,000-£9,999	9.625	7.22	9.98	3-Mth
Provincial Bank PLC 30 Ashley Rd, Altrincham, Cheshire			061-928 9011	
H.I.C.A. (£1,000+)	8.75	6.56	9.11	Mth
Royal Bank of Scotland plc Premium Acc 42 St Andrew Sq, Edinburgh EH2 2YE			031-228 5650	
£50,000+	9.50	7.13	9.84	Qtr
£25,000-£49,999	9.20	6.90	9.52	Qtr
£10,000-£24,999	8.75	6.56	9.04	Qtr
£2,500-£9,999	8.10	6.08	8.35	Qtr
Save & Prosper/Robert Fleming 16-22 Western Rd, Romford RM1 3LB			0800 282101	
Bank £1,000+ Chq Acc	9.00	6.75	9.42	Daily
TESSA Fixed 1 Year	8.82	-	9.19	Mth
TESSA Variable	10.55	-	11.08	Mth
Sterling Bank & Trust Ltd Abbey Gdns, 4 Abbey St, Reading RG1 3BA			0734 592543	
HIDA £2,500+	10.50	7.88	10.78	6-Mth
Tyndall & Co Ltd 29-33 Princess Victoria St, Bristol			0272 744720	
Demand Acc	09.25	6.94	09.58	Qtr
HIMA	09.13	6.84	09.44	Qtr
HIMA £100,000+	09.38	7.03	09.70	Qtr
Master Plus	09.13	6.84	09.44	Qtr
TESSA	09.88	-	10.25	Qtr
United Dominions Trust Ltd PO Box 135, Abbey St, Reading RG1 3EB			0734 580411	
Capital Plus Cheque Account				
£1,000+	9.90	7.43	10.27	Qtr
J. Henry Schroder Wagg & Co Ltd 120 Cheapside, London EC2V 6DS			071-382 6000	
Special Acc	9.75	7.31	10.08	Mth
£10,000 and above	10.00	7.50	10.35	Mth
Western Trust High Interest Cheque Acc The Moneycentre, Plymouth PL1 1SE			0752 224141	
£15,000+	10.00	7.50	10.38	Qtr
£5,000-£14,999	9.75	7.31	10.11	Qtr
£1,000-£4,999	9.50	7.13	9.84	Qtr
Wimbledon & South West Finance PLC 114 Newgate St, London EC1 7AE			071-606 9485	
High Int Cheque Acc	10.60	7.95	11.03	Qtr

NOTES— Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year, 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

JOTTER PAD

CROSSWORD

No.7,726 Set by CINEPHILE



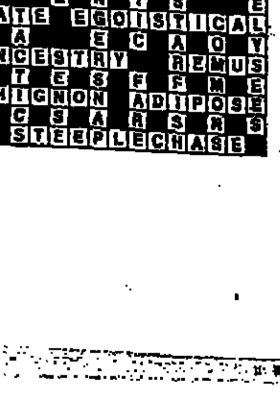
ACROSS

1 Open or enclosed ground or plain (6,2,6)
10 Stick two francs in French spa (5)
11 Model I come across: she enters a record of work (4,5)
12 Gardener's mistake? (7)
13 Country song about posh street (7)
14 Philosopher goes from Paris to Iceland (5)
16 Port down under needs nearly loose cover (9)
19 Belligerent performer to shoot at a tree, possibly (4-5)
20 Cast sounds unable to function (5)
22 Home herbs for the stomach (7)
25 Real (note, real) sort of fault a number must fall into (7)
27 Food scored with industrial diamond causes trouble on paper (9)
28 Oriental holly, end first, away from home (5)
29 Cocky little twerp, one that punished a bad dog? (14)

DOWN

2 Indisposed, being the wrong shade? (3,6)
3 Automatic saw (5)
4 What one really makes of it after trapper takes power (3,6)
5 Dance of unusual degree (5)
6 Help for fool is so much in Paris (9)
7 Boring otologist? (5)
8 Shell that's certifiable? (3,4)
9 Horsy place to be found among sailors (6)
15 Oracles turn up, obviously, of course (5,4)
17 Hearer of banal stuff on a stalk (3,2,4)
18 Precious shade (9)
19 Blonde beast unpopular in Australia (4,3)
21 Solvers lacking speed stand up to cardinal (6)
23 Finnish runner to run up the road (5)
24 Street song on the way up (5)
26 Bird song of little value, we hear (5)

Solution to Puzzle No.7,725



WORLD STOCK MARKETS

AUSTRIA

December 16	Sch.	+ or −
Austrian Airlines	2,280	+25
Creditanstalt Pf	422xr	+6
EA General	2,870	+20
EVN	794	+1
Jungbunzlauer	9,870	+10
OeMV	949	+9
Perlmooser Zement	1,340	.....
Radex Heraklith	435	+4
Reininghaus Brue	1,560	−40
Steyr Daimler	236	.....
Veitscher Magnesit	298	+13
Verbund (Br) A	502	+5
Wienerberger	4,350	+15
Z-Laenderbank	1,005	.....

BELGIUM/LUXEMBOURG

December 16	Frs.	+ or −
ACEC-Union Min	2,160	+10
AG Group	1,705	+25
Arbed	3,380	−140
BBL	3,190	−10
Bank Intl a Lux	11,050	.....
Banq Gen Lux Pts	12,400	.....
Barco	960	−26
Bekaert	9,120	−30
CBR Ciment	6,590	−10
Cobepa	4,640	−60
Cobepa AFV 1	4,695	−5
Cockerill Priv	146	−1
Colruyt	4,260	−30
Delhaize Frs Lion	7,980	−40
Electrabel	4,720	−20
Electrabel AFV	4,740	+80
Electrafina ACT	2,590	−80
Fabrique Nat	51	.....

FRANCE (continued)

December 16	Frs.	+ or −
Bancaire Cie	440.10	+7.80
Beghin-Say	547	−18
Beghin-Say Cert Inv	450	−2
Bongrain	2,460	.....
Bouygues	513	+5
CGIP	953	+9
CM B Packaging	160.40	−0.40
Canal+	986	−54
Cap Gemini S	264.10	+2
Carrefour	2,159	+9
Casino	128	−2
Cetelem	605	−15
Chargeurs	883	.....
Club Mediterranee	401.50	+1.40
Cogifi	340	.....
Coparex	600	+6
C C F	159.90	+2.70
Cr Fonc France	895	−3
Cred Lyon (CI)	485	+2
Credit National	954	−23
Damart	2,280	+50
Docks de France	347.50	−1.70
Dollfus Mieg Cie	265	−1
EBF	745	.....
Eaux Cie Genl	2,026	−13
Ecco	335	−5.40
Elf-Aquitaine	379.20	+5.90
Elf-Aquitaine Certs	245	−5
Essilor Int	305	.....
Eurafrance	1,321	+21
Eurocom	560	+2
Euro Disney	135.90	−0.10
Exor	1,321	−4
Finextel	119	.....
Fonc Lyonnaise	650	+11
From Cat Ann	2,215	+17

CANADA

INDICES

JAPAN

TOKYO - Most Active Stocks

Monday 16 December 1991

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:00 pm prices, December 16

1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	3.9	16	167	12⅛	12	12⅛	+⅛
22⅞	14½	A L Labs A x	0.16	0.7	24	222	21¼	21⅛	21¼	+⅛
55¾	40⅞	AMP Inc	1.44	2.6	21	438	54¼	53⅞	54¼	+½
68⅝	44¾	AMR				123771	63¼	63	63⅜	−¼
2⅝	1	ARX			1	181	1¼	1⅛	1⅛	
56	41½	ASA	3.00	6.4	13	317	48	47⅛	47⅛	−⅝
61⅛	39¼	Abbott Lab	1.00	1.6	24	3801	60⅞	59⅝	60⅞	+1⅛
14⅝	9⅞	Abitibi Pr	0.44	3.3	17	3	13⅛	13⅛	13⅛	+⅛
11⅝	10⅛	ACM Gvt In x	1.26	11.4		285	11	10⅞	11	
9¾	8¼	ACM GvOpp x	1.01	10.6		122	9½	9⅜	9½	+⅛
9½	8¼	ACM Gvt So x	1.01	11.1		354	9⅛	9⅛	9⅛	
11	9⅞	ACM Gvt Se	1.26	12.0		493	10⅝	10½	10½	−⅛
9	7⅝	ACM Man x	1.09	12.4		317	8⅞	8¾	8¾	−⅛
12⅞	11½	ACM Managd x	1.35	10.9		111	12⅜	12¼	12¼	
7½	4⅞	Acme Cleve	0.40	6.7	13	54	6⅛	5⅞	6	−⅛
6	3⅛	Acme Elect			3	9	4⅝	4½	4⅝	
40	22¾	Acuson			18	575	29	28¼	28¼	−½
20¼	14¼	Adams Expr	1.63	9.1	0	69	17⅞	17¾	17⅞	+⅛
20⅛	14	Adobe12PI	2.40	16.6		66	14⅝	14½	14½	−⅛
9¼	4⅞	Adobe Res			51	124	5⅛	5⅛	5⅛	
39⅞	18	Ad Micro				305	u39¼	38¼	38⅞	+⅝
16⅛	4⅝	Ad Micro P	3.00	18.9	784	732	u16⅛	15¾	15⅞	+⅛
5⅛	2¼	Advest Grp	0.16	3.6	6	62	4½	4⅜	4⅜	

- B -

- C -

- D -

- E -

- F -

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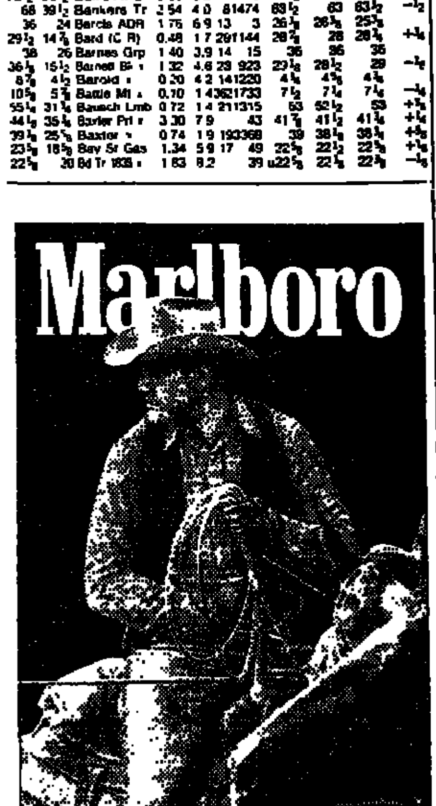

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NYSE COMPOSITE PRICES

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1991 High	1991 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Ch'ge
29¾	14¾	Xtra Corp	0.72	2.6	13	78	28¼	27⅞	28⅛	+⅜
27⅞	21¾	Yankee Egy x	1.60	6.3	12	63	25⅞	25⅛	25¼	−⅛
1½	⅝	Zapata			56	333	⅞	d⅝	⅝	
9¾	5¼	ZenithElec			2	171	7	6¾	7	
16½	12	Zenith Nat x	1.00	7.0	116	203	14¼	14	14¼	+⅛
6⅞	4½	Zenix Inc x	0.64	13.2		113	u5⅛	5¼	5⅛	+⅛
15⅛	10	Zero Corp	0.40	3.7	14	103	10⅞	10½	10⅝	+⅛
41⅜	29½	Zurn Ind x	0.88	2.8	12	187	31⅛	30¾	30⅞	−¼
13½	10¼	Zweig Fund	1.16	9.1		386	12⅞	12⅝	12¾	+⅛
10½	8½	Zweig Tot x	0.96	9.4		1277	10¼	10⅛	10¼	

Price data supplied by Telekurs.

Owing to problems at Telekurs, some North American prices are temporarily being marked as xd early.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices December 16

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NASDAQ NATIONAL MARKET

3:00 pm prices December 16

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Wetterau	0.68	50	454	26½	25¼	26½	+⅞
Wicat Sys		76	48	3⅛	3⅛	3⅛	−⅛
Willmette	1.60	24	331	58¾	57¼	58½	+1
WmsSonoma		26	545	15¾	15¼	15¾	+½
Wiser Oil	0.40	22	61	15⅛	14¾	14¾	
Wetzel L x	0.28	10	32	16½	15¾	15¾	−¾
Wolv Expl		0	839	½	½	½	−⅛
WnEsWSDA			10	⅛	d1/16	⅛	
Worthgtn x	0.44	26	696	20⅛	19¾	20	
WPP Group	1.11	1	375	1¾	1⅝	1¾	+⅛
Wyman-Gdn	0.40	10	315	3¾	3½	3½	+⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		31	851	28¼	27½	27¾	−½
XL Data		31	69	10½	10⅜	10⅜	
Xoma Corp		10	1234	19¾	18¾	19	−⅜
Yellow Fr	0.94	18	1531	25¾	25¼	25⅝	+⅜
York Rsch		63	2063	8	7½	7⅝	−⅛
ZionsUtah	1.44	8	224	39¾	38¼	39¼	+1

AMERICA

Dow's rally continues on hopes of interest rate cut

Wall Street

GROWING HOPES of an interest rate cut meant that news of a bigger-than-expected decline in monthly industrial production failed to interrupt the stock market's rise yesterday morning, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 12.97 at 2,927.33. The more broadly based Standard & Poor's 500 was also higher at midsession, up 1.10 at 385.57, while the Nasdaq composite of over-the-counter stocks added 1.30 to 542.20. Volume on the NYSE was 99m shares.

The market opened surprisingly firm, given that the 0.4 per cent decline in November industrial production reported by the Federal Reserve at 8.30 am was twice analysts' forecasts. The unwillingness of investors to sell on the news suggested that the weak state of the economy had already been factored into prices. The fact that shares actually rose after the figure was announced might have indicated that hopes of further interest rate cuts – the Fed's Open Market Committee meets today to discuss policy – are keeping up investors' spirits.

Among individual stocks, DuPont fell $⅝ to $43¾ as the market digested last Friday's late news that the company will be increasing its planned fourth-quarter charge by $350m, which will take the overall charge to $675m and push quarterly earnings into the red. The charge is being made to cover the costs of recalling an anti-fungus growth product for plants that was withdrawn from the market in March because some shipments were found to be contaminated with a herbicide.

Upjohn fell $¾ to $39⅝, troubled by a television report about alleged side-effects of Halcion, its top-selling sleeping drug which has been temporarily banned in the UK. Upjohn denounced the television reports as misleading and irresponsible. The company also said it would be appealing against the suspension of Halcion in the UK.

Nike rose $1⅝ to $63½ after the sports shoe maker announced a small increase in second quarter earnings. Reebok, Nike's big rival, rose $1⅛ to $27⅞ in sympathy, while LA Gear firmed $⅛ to $10⅝.

Bank of Boston fell $1 to $10¼ on reports that the bank's merger talks with Shawmut National are nearing fruition, and that an agreement could be announced as early as this week.

USX-Marathon rose $⅛ to $22⅝ on the news that its parent, USX (up $⅝ at $25⅞), has postponed an offering of 20m new USX-Marathon common shares because of the market's uncertain conditions.

Commonwealth Edison fell $2 to $39⅞ after the Illinois Supreme Court sent a rate case under appeal back to the regulators who had previously granted the power company a smaller rate increase than it had requested.

Canada

TORONTO STOCKS recovered slightly by midday, but remained weak. The composite index was down 8.4 at 3,351.1, up from a low of 3,345.02. Declining issues led advances by 219 to 171 in light volume of 10m shares valued at C$120m.

Nova Corp of Alberta recovered from a low of C$6⅝, slipping C$⅛ to C$6¾. The company said late on Friday that it would take a fourth quarter charge against earnings of C$675m.

Deprenyl Reserch rose C$⅜ to C$19¼. The company said it had filed an investigatory new drug application with the Canadian health protection branch for the approval of a drug for Alzheimer's disease.

ASIA PACIFIC

Arbitrage-related buying outweighs profit-taking

Tokyo

SMALL-LOT profit-taking depressed share prices initially yesterday, but the Nikkei average closed with a modest net gain on arbitrage-related buying, *writes Emiko Terazono in Tokyo.*

The 225-issue index ended 81.77 up at 22,836.67 after a day's high of 22,893.82 and a low of 22,546.84. Profit-taking after last Friday's jump of 1,042.33 points or 4.8 per cent depressed the index in the morning session, but bargain hunting by investment trusts and arbitrage-related index buying provided support.

Volume dropped from 700m shares to 220m. In spite of the sense of relief that the December futures settlement, which had unnerved market participants, was now out of the way, most investors remained inactive because of the lack of news. "Current levels are not attractive for buying or selling," said Mr Masami Okuma at UBS Phillips & Drew.

Gains finally led losses by 556 to 428 with 169 issues unchanged. The Topix index of all first section stocks added 2.03 at 1,728.18 although, in London, the ISE/Nikkei 50 index was just 0.05 firmer at 1,291.83.

Many traders expected activity in Tokyo to fall further ahead of the year-end, with foreign investors and brokers, who have been supporting activity during the past few months, away for the holidays.

However, Daiwa Securities said investors would come into the market once interest rates eased. "The economic slowdown is accelerating, and there is a high possibility that short-term interest rates will fall," added a Daiwa official.

Issues newly designated for margin trading attracted buying. Rasa Industries advanced Y78 to Y831 and Kanto Special Steel Works put on Y6 to Y884. Mitsui Sugar forged ahead by its daily limit of Y100 to Y933.

Dealers and investors focused on speculative shares owing to the lack of news. Nippon Carbon climbed Y320 to an all-time high of Y3,420 and Toyo Ink, the most active issue of the day, firmed Y10 to Y995.

Chugoku Marine Paints, said to be the target of speculators, appreciated Y90 to Y1,220. The issue has been sought as an environmental stock, because the company makes anti-pollution marine paints.

The Tokyo Stock Exchange and the other seven Japanese stock exchanges announced yesterday that Chugoku's stock would be put on the watch list owing to its volatile price movements. Margin trading on the issue has soared, and the stock exchanges will announce the ratios of margin selling and buying balances on the stock, starting today.

In Osaka, the OSE average gained 95.52 to 24,691.66 in volume of 68.1m shares. Early bargain hunting pushed the index higher, but later profit-taking pared the gains. Nintendo, the video game maker, rose Y200 to Y12,200 on reports that the company will export Y1m of its lower-priced game machines this current fiscal year.

Roundup

US and Japanese influences left the majority of markets in the Pacific Rim higher yesterday, but most of them only modestly so.

SINGAPORE rose on bargain hunting and the expectation of key interest rate cuts, following a drop in three-month inter-bank rates just before the weekend. The Straits Times Industrial index gained 18.09 or 1.2 per cent to 1,459.41 in turnover of S$113.5m (S$86.7m).

One dealer said that lower interest rates could spark off another boom in the property sector. The SES All-Property index added 7.70 at 309.87.

KUALA LUMPUR saw continued buying by a government investment fund, which generated some follow-through by smaller investors. The composite index rose 4.60 to 542.45.

HONG KONG moved moderately higher in thin trade, the Hang Seng index putting on 16.18 to 4,171.66. Turnover sank from HK$1.3bn to HK$925m.

AUSTRALIA's All Ordinaries index improved 7.3 to 1,605.2 as turnover fell from A$301m to A$211m. News Corp lost 10 cents to A$13.10; after the close, S&P-Australian Ratings, the Australian unit of Standard & Poor's, said it had raised its long-term credit rating for News Corp to double-B-minus from single-B.

NEW ZEALAND saw support for top blue chips Telecom and Fletcher Challenge, which helped the NZSE-40 index gain 3.26 to 1,432.08. Turnover eased from NZ$18.9m to NZ$17.4m.

Telecom, hit by foreign selling over the past month, was the most active stock as it gained 3 cents to NZ$2.47 in volume of 2m shares. Fletcher Challenge firmed 2 cents to NZ$3.27 in the next heaviest, 1.3m shares.

SEOUL fell for the third straight day, the composite index losing 9.27 to 630.45 in turnover fractionally lower at Won149.9bn.

Encouraging news on the day included government measures to help strengthen manufacturing competitiveness and expectations of a trade agreement between South Korea and China at tomorrow's meeting in Seoul.

In the market, however, financials lost 2.3 per cent on margin trading considerations, and manufacturing weakened on business failure rumours. Only construction and trade-related issues showed relatively small losses, aided by expectation of improved inter-Korean relations.

BOMBAY fell, but recovered from its day's lows on buying by state-owned investment houses. The BSE index ended 12.43 down at 1,804.81.

Global revival follows fifth week of decline

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	-3.28	-7.91	-18.66	-13.34	-13.33	-18.40
Belgium	+1.58	-1.61	+4.69	+8.98	+10.06	+3.62
Denmark	-0.59	-5.38	+13.15	+16.87	+16.47	+9.66
Finland	-3.32	-12.48	-14.74	-14.90	-23.58	-28.06
France	+0.54	-8.50	+4.03	+11.67	+11.65	+5.30
Germany	-0.48	-5.21	-3.64	+5.04	+5.41	-0.77
Ireland	+4.48	-3.23	+8.66	+15.44	+16.09	+9.30
Italy	-0.78	-4.89	-11.13	-5.34	-5.10	-10.66
Netherlands	+1.22	-4.47	+14.95	+15.27	+15.78	+9.00
Norway	+4.07	-5.94	-11.28	-8.77	-8.76	-14.09
Spain	-1.35	-3.12	+2.28	+10.43	+11.07	+4.57
Sweden	+0.11	-5.73	+4.65	+9.76	+13.60	+6.96
Switzerland	+0.59	-7.06	+13.87	+17.30	+13.67	+7.02
UK	+2.50	-4.21	+12.48	+13.81	+13.81	+7.15
EUROPE	+1.11	-5.10	+6.32	+10.89	+10.54	+4.07
Australia	+1.04	-4.63	+21.58	+25.66	+33.37	+26.57
Hong Kong	-0.79	-2.61	+34.38	+39.88	+49.09	+40.35
Japan	+1.19	-4.66	-3.38	+0.68	+12.61	+5.92
Malaysia	+1.19	-1.41	+1.53	-1.90	+3.01	-3.03
New Zealand	-0.76	-5.41	+8.97	+10.53	+11.58	+5.04
Singapore	+0.47	-2.56	+21.27	+22.99	+37.41	+29.11
Canada	-2.26	-5.54	+0.46	+0.16	+8.12	+1.79
USA	+1.35	+0.46	+17.66	+17.46	+24.76	+17.46
Mexico	-7.32	-13.42	+109.64	+115.70	+122.48	+109.46
South Africa	-1.30	-1.75	+20.33	+28.10	+44.43	+35.97
WORLD INDEX	+1.65	-2.87	+7.78	+10.36	+17.25	+10.39

† Based on December 13th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities

By Jacqueline Moore

WORLD STOCK markets managed to shake off some of their recent gloom and moved higher last week, after five successive weeks of decline. Most leading markets rebounded, including the US, Japan and the UK which each rose by more than 1 per cent in local currency terms, according to the FT-Actuaries indices.

The gains were concentrated in the second half of the week. On Thursday, Wall Street broke a seven-day losing streak on evidence that inflationary pressures were decreasing. The following day, Tokyo's Nikkei index, which had reached a 1991 low during trading on Wednesday, leapt 4.8 per cent – its best gain of the year. The rise was partly on relief that the worrying December futures settlement was now over. The firm Japanese market in turn helped Wall Street to register a second consecutive strong gain on the Friday.

Europe firmed 1.1 per cent on the week, but this figure disguises a number of poor performances on the Continent. Among the main bourses, Germany, Italy and Spain all moved lower, while Austria and Finland suffered sharp falls of more than 3 per cent.

Indeed, the European gain was largely thanks to one market, London; excluding the UK, the Europe index managed to rise only 0.1 per cent. The British rally was partly technical, and partly triggered by a belief that last week's European Community summit at Maastricht had improved the current UK government's chances of re-election next year. Sterling strengthening for similar reasons.

The UK was not the only winner within Europe, however. Ireland and Norway both advanced by more than 4 per cent in local currencies. Mr Robbie Kelleher of Davy's, the Dublin-based broker, says the Irish market was driven higher by the recovery in overseas markets.

He adds, however, that he believes Irish stocks to be undervalued relative to other markets. "If there is a recovery in markets next year, Dublin is poised to more than participate in it, particularly the cyclical stocks," he says.

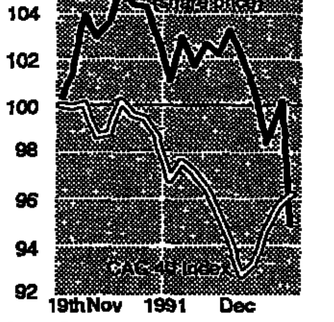
Ireland is set to end the year as one of the world's best markets, having risen more than 15 per cent in local currency terms – a performance exceeded within Europe only by Switzerland and Denmark. However, last week's other big riser, Norway, remains one of the poorest performers, having lost more than 8 per cent on the year to date.

Kleinwort Benson wrote in its Norway Monthly, published last Tuesday: "From a fundamental point of view, we think that the market is fairly priced ... However, as the market sentiment is extremely negative, it is difficult to say whether the bottom has been reached ... The time to buy may come during spring/summer 1992."

In sharp contrast, the best market within the FT-Actuaries indices, Mexico, has jumped more than 100 per cent in local currency, sterling and dollar terms. In recent weeks, however, the market has been in retreat on worries about the health of the economy of its main trading partner, the US.

EUROPE

Milan and Paris extend recovery in thin trade



FT-SE Eurotrack 100 – Dec 16

Hourly changes							
Open	10 pm	11 am	Noon	1 pm	2 pm	3 pm	Close
1050.29	1050.43	1052.31	1051.17	1051.23	1050.77	1050.60	1051.15
Day's High 1052.70				Day's Low 1049.78			

Dec 13	Dec 12	Dec 11	Dec 10	Dec 9
1051.10	1040.33	1034.07	1034.94	1039.46

Base value 1000 (26/10/90)

RECOVERY in thin volume continued in the Italian and French equity markets yesterday, but the picture elsewhere was gloomy, *writes Our Markets Staff.*

MILAN majored on banks and other financials as it opened the January account with a 1½ per cent rise in thin volume, the Comit index closing 7.21 higher at 499.96.

Banco di Roma jumped L192, or 9 per cent, to L2,350 on the hope that its merger with Banco Santo Spirito will take effect before the end of this year. Stocks rising 3 per cent and more included Credito Italiano, up L62 at L1,965.

The insurer, Generali, closed L515 higher at L27,415, and rose another L235 on the kerb. The Milan merchant bank, Mediobanca, joined in with a rise of L610 to L13,900.

PARIS recovered from midsession weakness on gentle buying by institutions. The CAC 40 index closed 8.53 up at 1,696.80, near the day's high of 1,698.51 and the market's fourth successive rise. Turnover was light at about FFr1.6bn, down from FFr2.3bn.

The day's principal feature was Canal Plus, which dropped to a day's low of FFr959, before closing FFr54 or 5.2 per cent down at FFr986 in active trading of 137,775 shares.

The decline was on speculation that merger talks would lead the pay-television station to acquire Havas, the media group, which gained FFr14.80 or 3.5 per cent to FFr434.60. The stock was also hurt by the news that tax inspectors have been given the right to examine the Canal Plus subscriber list to track down non-licence payers.

Canal Plus had outperformed the market in recent weeks after recommendations from a number of brokers in October and November.

FRANKFURT was influenced mainly by the reluctance of brokers to deal as the holiday season approaches. Volume fell from DM3.7bn to DM2.2bn. After a 1.64 decline to 632.08 in the FAZ index at midsession, the DAX closed 5.45 lower at 1,552.89.

The main price change, a DM16.20 drop to DM200.80 in the Siemens computer arm, Siemens-Nixdorf, reflected last week's news that the parent had reached a 95 per cent holding in S-N, that its cash offer of DM225 a share was now withdrawn and that a share exchange alternative would not follow until next March.

AMSTERDAM closed mixed in quiet trading. The CBS Tendency index added 0.2 to 88.2.

Elsevier, which has been attracting foreign demand, rose Fl 1.30 to Fl 98.10, while Rodamco, the property investment fund, gained Fl 1.30 to Fl 59 after the weekend's news that ABP, the civil servants' pension fund, was taking a 12.5 per cent stake, a quarter of which was expected to be bought in the market.

MADRID continued to slide in nervous trading. The general index lost 2.55 or 1.1 per cent to 237.69 in light turnover of about Pta9bn, down from Pta10.4bn. LISBON also moved lower. The registered shares of three banks – the market leader, BCP, BPI and Manufacturers Hanover Portugal – were due to be suspended yesterday before the stocks' listing on the continuous market on December 27. The BTA index fell 4.9 to 1,925.1.

ZURICH reported "super-thin" volume as the Crédit Suisse index slid 1.3 to 442.5. Adia bearers rose SFr13 to SFr383 after the employment group said that it had sold its Swiss security unit, Protectas, to a Swedish security combine.

STOCKHOLM failed to recover from a weak opening. The telecommunications giant, Ericsson, gloomy about prospects last week, led the decline, with its B shares down SKr 6 at SKr92, a low for the year.

The Affärsvärlden General index fell 14.2 to 892.7 but banks and financials suffered worse, with the sector index down 3.7 per cent. Gota A dropped SKr4 to SKr24 on high anticipated loan losses.

OSLO's all-share index fell nearly 1 per cent, 3.97 to 414.82, in turnover of NKr225m, on worries about domestic tax reforms and the legal wrangle over the planned EC-EFTA free market from 1993. HELSINKI's Hex index shed 3.68 to another 1991 low of 774.11 as evidence of Finland's economic and financial disarray piled up.

BRUSSELS slipped in thin trading, with the Bel20 index down 5.01 at 1,076.61. Petrofina, which pushed the bourse higher on Friday, fell back BFr250 or 2.3 per cent to BFr10,575.

Wagons-Lits, the takeover target, shed BFr220 or 2.4 per cent to BFr8,910 on the Banking and Finance Commission's statement that only a few shareholders were entitled to the higher bid price ordered by a Belgian court.

Electrorail was suspended. The company stated that its restructuring was continuing.

● Johannesburg was closed for a holiday yesterday.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY DECEMBER 13 1991								THURSDAY DECEMBER 12 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	148.23	+0.6	120.95	120.68	121.95	127.92	+0.6	4.56	147.36	120.77	120.35	121.09	127.12	180.31	112.74	119.94
Austria (20)	160.46	+0.3	130.93	130.65	132.02	132.56	+0.7	2.18	160.06	131.18	130.72	131.52	131.60	222.37	153.86	210.23
Belgium (47)	137.01	+1.2	111.79	111.54	112.72	109.98	+1.2	5.39	135.39	110.96	110.56	111.24	108.66	151.20	116.04	137.25
Canada (113)	132.36	+0.3	108.00	107.76	108.89	109.45	+0.3	3.35	131.90	108.18	107.78	108.45	109.15	144.28	125.49	130.40
Denmark (37)	255.10	+0.4	208.15	207.70	209.88	213.64	+0.5	1.67	254.10	208.25	207.52	208.79	212.63	270.56	217.74	246.28
Finland (15)	74.20	-0.1	60.55	60.42	61.05	66.77	-0.1	3.65	74.30	60.90	60.69	61.06	66.73	125.15	74.20	103.74
France (109)	138.73	+1.2	113.20	112.94	114.13	117.62	+1.3	3.76	137.13	112.39	111.99	112.67	116.16	152.25	118.11	140.83
Germany (65)	111.04	+0.6	90.61	90.42	91.36	91.36	+0.7	2.52	110.42	90.50	90.19	90.73	90.73	125.35	94.15	121.74
Hong Kong (55)	170.95	+1.4	139.50	139.19	140.66	170.61	+1.4	4.36	168.59	138.17	137.68	138.53	168.28	176.14	119.62	125.73
Ireland (16)	162.27	+2.8	132.40	132.11	133.50	135.66	+3.0	3.69	157.85	129.37	128.91	129.70	131.96	182.48	132.69	158.62
Italy (77)	69.97	+0.4	57.09	56.96	57.56	62.45	+0.5	3.71	69.68	57.11	56.90	57.26	62.11	88.23	64.78	84.54
Japan (474)	132.16	+3.0	107.83	107.60	108.74	107.60	+2.7	0.79	128.30	105.15	104.78	105.44	104.78	146.87	118.23	131.42
Malaysia (68)	205.72	+0.9	167.86	167.48	169.25	217.80	+1.0	2.86	203.82	167.04	166.45	167.47	215.63	247.78	169.18	207.55
Mexico (17)	1224.18	+0.0	998.88	996.69	1007.18	4070.25	+0.0	1.26	1224.18	1003.30	999.78	1005.91	4070.25	1404.63	534.45	603.06
Netherland (31)	146.03	+1.3	119.15	118.90	120.15	118.67	+1.5	4.54	144.12	118.11	117.70	118.42	117.15	148.25	125.70	135.33
New Zealand (14)	45.60	+0.1	37.20	37.12	37.51	43.34	+0.3	6.34	45.54	37.32	37.20	37.42	43.23	54.64	41.18	43.81
Norway (30)	175.48	+0.5	143.18	142.87	144.36	148.74	+0.9	1.74	174.63	143.12	142.62	143.50	147.43	223.24	157.08	214.21
Singapore (38)	205.64	+1.0	167.79	167.42	169.18	156.93	+1.2	2.24	203.58	166.85	166.27	167.28	155.06	213.93	151.63	182.77
South Africa (61)	248.66	-1.5	202.91	202.46	204.59	174.49	-0.9	2.82	252.48	206.92	206.19	207.45	176.04	271.99	173.00	174.79
Spain (53)	146.73	+0.5	119.72	119.46	120.72	112.16	+0.5	4.93	145.97	119.63	119.21	119.94	111.58	171.12	131.51	151.00
Sweden (25)	170.54	+0.7	139.15	138.85	140.31	145.73	+0.6	3.06	169.37	138.81	138.32	139.17	144.86	204.12	145.60	187.21
Switzerland (59)	95.17	+0.7	77.66	77.48	78.31	82.92	+0.8	2.42	94.53	77.47	77.20	77.68	81.84	100.67	82.17	91.29
United Kingdom (218)	177.51	+1.5	144.84	144.51	146.03	144.84	+1.0	5.18	174.94	143.38	142.88	143.74	143.37	187.44	156.27	168.18
USA (526)	158.58	+0.7	127.76	127.49	128.83	158.58	+0.7	3.11	155.46	127.41	126.97	127.75	155.46	161.59	125.86	131.99
Europe (824)	140.00	+1.1	114.23	113.99	115.19	115.42	+1.0	4.19	138.48	113.49	113.10	113.79	114.31	151.52	125.50	140.17
Nordic (107)	175.06	+0.5	142.84	142.52	144.02	142.89	+0.6	2.26	174.17	142.74	142.25	143.12	142.09	200.81	155.55	176.30
Pacific Basin (718)	133.40	+2.8	108.85	108.61	109.76	109.77	+2.5	1.13	129.78	106.36	105.99	106.64	107.09	145.92	117.88	130.43
Euro-Pacific (1542)	136.36	+2.1	111.26	111.01	112.18	112.79	+1.9	2.38	133.57	109.47	109.07	109.75	110.72	147.66	121.29	134.78
North America (641)	155.01	+0.7	126.49	126.22	127.56	153.37	+0.7	3.13	153.94	126.17	125.74	126.52	152.32	160.44	125.91	131.74
Europe Ex. UK (586)	117.72	+0.8	96.05	95.86	96.87	98.56	+0.9	3.45	116.76	95.69	95.37	95.96	97.66	129.90	103.59	122.73
Pacific Ex. Japan (244)	145.88	+0.9	119.03	118.61	119.85	130.10	+1.0	4.17	144.54	118.29	117.90	118.61	128.86	153.19	111.40	118.16
World Ex. US (1735)	138.07	+1.9	112.66	112.42	113.60	114.33	+1.7	2.41	135.45	111.01	110.62	111.30	112.38	148.16	122.32	135.24
World Ex. UK (2033)	140.02	+1.5	114.25	114.01	115.21	125.73	+1.4	2.38	137.97	113.07	112.68	113.38	123.98	145.16	120.06	129.63
World Ex. So. Af. (2200)	142.59	+1.5	116.35	116.10	117.32	127.14	+1.4	2.67	140.44	115.10	114.71	115.41	125.38	148.68	122.02	132.80
World Ex. Japan (1787)	150.53	+0.8	122.83	122.57	123.87	138.58	+0.8	3.54	149.34	122.39	121.97	122.73	137.52	155.59	126.69	135.22
The World Index (2261)	143.28	+1.5	116.91	116.66	117.89	127.58	+1.4	2.67	141.18	115.71	115.31	116.02	125.84	149.37	123.28	133.05

Constituent changes with effect 17/12/91: Deletion: Sun Life Corp. (U.K.) and Cetus (USA).
Name change (16/12/91): OPSM Inds. to OPSM Protector (Australia). Latest prices were unavailable for this edition.